

**SKILLS ISSUES IN THE FINANCIAL SERVICES
SECTOR IN BOURNEMOUTH, DORSET, POOLE, AND
SOMERSET**

**A report to
LSC Bournemouth, Dorset and Poole**

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1. Introduction

1. BMG Research has been commissioned by LSC Bournemouth, Dorset and Poole to assist the LSC to develop its policies and programmes in respect of eight local sectors. These are....
 - Health
 - Engineering
 - Construction
 - Hospitality
 - Retail
 - Financial services
 - Childcare
 - Social care
2. These sectors are regarded as current priorities for the LSC on a number of grounds. They each employ significant numbers of people in Bournemouth, Dorset, Poole, and Somerset. Several of them have significant local focus (in the sense of employing above-UK average proportions of the workforce in the local area. They have an importance to local economies which extends beyond direct employment – generating wealth externally to the local area which is ‘imported’ into the local area for distribution as local incomes and wages, supporting or linking with other key activities, or providing fundamental services (in house building or social welfare, for example) which are essential underpinnings of an effective society and economy. There is also significant prima facie evidence to suggest that these sub-sectors face a substantial challenge to maintain the flow of labour and skills which they need to secure an optimal level of efficiency. This is not to say, of course, that other local sectors do not have these properties. But, with limited resource, the LSC’s intent is to seek progress in *some* sectors rather than dissipate resources too widely. Attention will turn to other areas of the economy in due course.
3. The essence of each study is broadly to undertake a desk review of available information on the sector which describes each local sector, recognises how the sector is developing and the challenges each sector faces, considers how this change process affects skills needs and supply, and, thus, identifies a set of ‘skills issues’ on which the LSC and its partners may focus with recommendations for appropriate action.
4. This report is the output of a study of the local *financial services sector*. Because of the recent re-configuration of LSC activity in the South West Region, the study, whilst originally commissioned by the local LSC for Bournemouth, Dorset and Poole, now reports and applies to the new LSC sub-region which combines *Bournemouth, Dorset, Poole and Somerset*. For convenience, we will refer to this new operating area as ‘the BDPS area’ in the remainder of this report.
5. The report’s chapters consider:
 - The structure and character of sector delivery in the BDPS area.
 - Key skills and labour demand indicators.
 - Skills supply into the sector.
 - Skills issues and recommendations.

6. We acknowledge the kind assistance to the preparation of this report of John Wicks and Chris Kelu of Bournemouth Council's Economic Development Unit.

2. Financial services sector employment in the sub-region

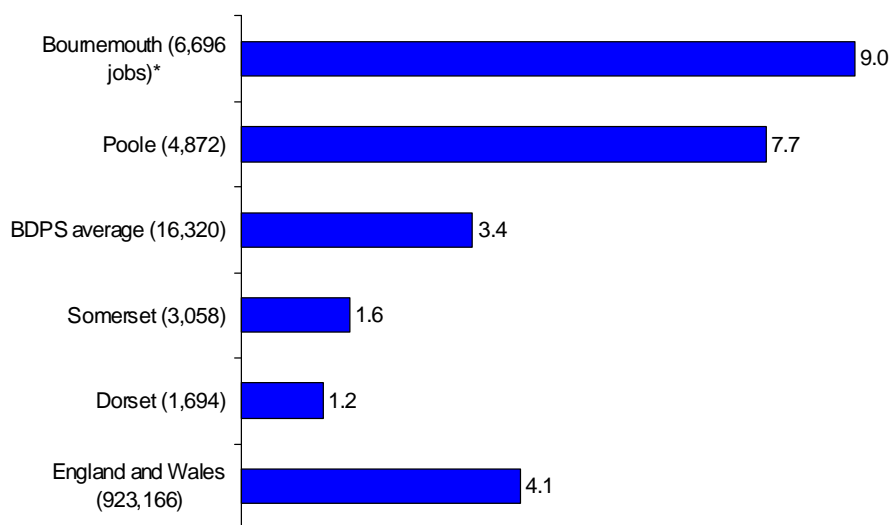
Defining the sector

7. In terms of Standard Industrial Classification (SIC), the 'financial services sector' (as defined by the Financial Services Sector Skills Council) covers the categories of:
- 65.1 Monetary intermediation (banks and building societies)
 - 65.2 Other financial intermediation (including leasing, credit granting, factoring, mortgage finance, investment trusts, unit trusts, venture capital activity, etc.)
 - 66.0 Insurance and pension funding (except compulsory social security)
 - 67.1 Activities auxiliary to financial intermediation (stock broking, fund management, etc.)
 - 67.2 Activities auxiliary to insurance and pensions (insurance and pensions brokers, etc.)

Employment in the sector

8. Using this definition, one estimate (Annual Business Inquiry 2004) is that the BDPS area employs 16,320 people in 913 financial services establishments.
9. It can be seen that the BDPS is polarised in respect of the distribution of jobs. The sector is more significant to the economies of Bournemouth and Poole than is average for the national economy, over doubly so in Bournemouth's case. However, in the counties of Dorset and Somerset the sector is less significant than the national average (which is, of course, weighted by the very high numbers of financial services jobs in and around the City of London):

Figure 1: Percentage of all employment in each County/Unitary Authority which is in the financial services sector

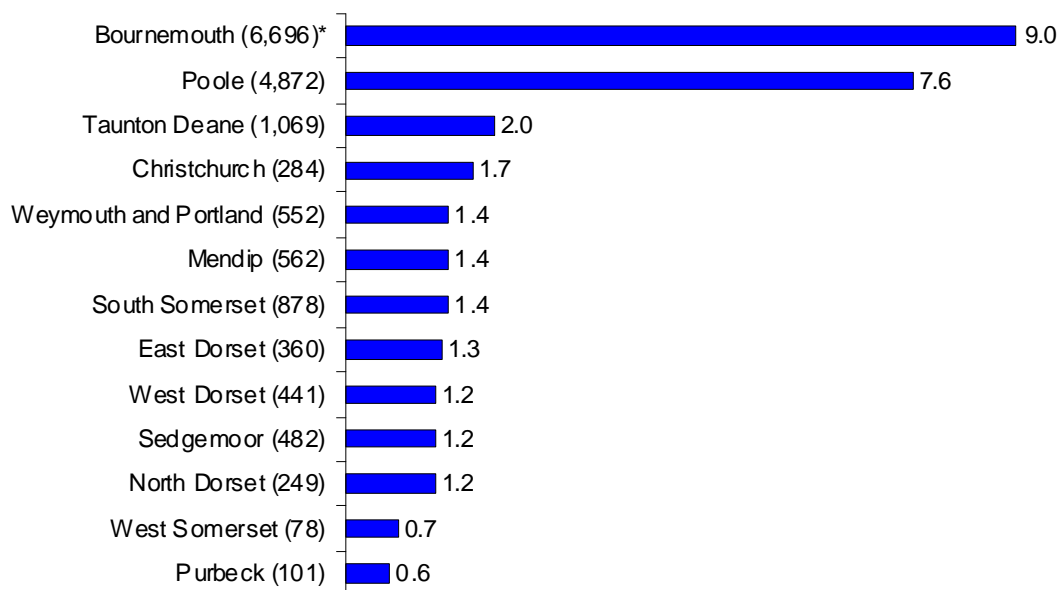


Source: ABI 2004

* Actual numbers of financial services jobs

10. The percentage of financial services jobs in local economies can be seen in more detail in the following chart. Essentially, the data shows that all Dorset and Somerset Districts have very small financial services sectors, comprised mostly of retail bank branches, building society branches, and small insurance brokers. Bournemouth and Poole differ, of course, because they are home to some major financial services headquarters and call centres:

Figure 2: Percentage of all employment in each District/Unitary Authority which is in the financial services sector

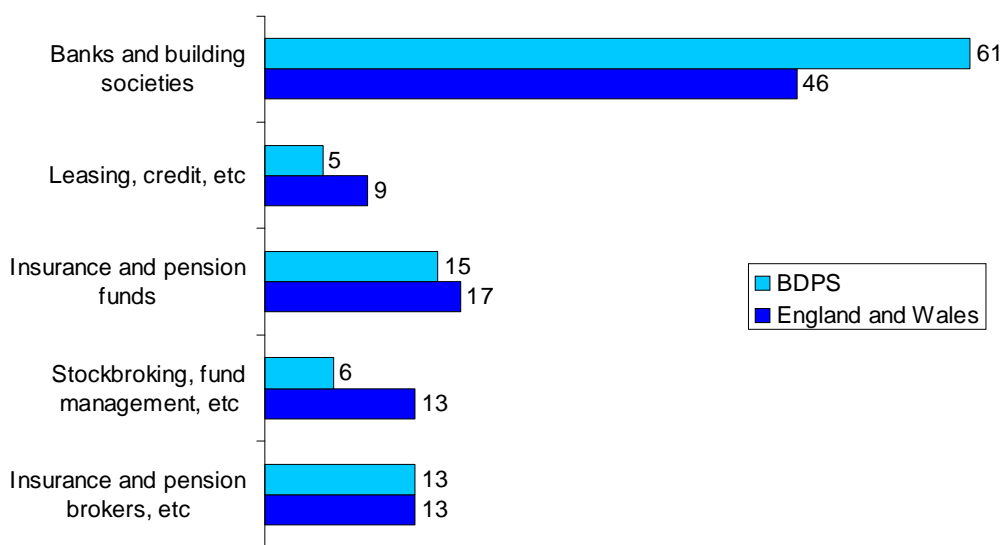


Source: ABI 2004

* Actual numbers of financial services jobs in brackets

11. The local distribution of financial services employment by *sub-sector* shows a concentration of employment in banks and building societies and under-representation in stockbroking and fund management. The former reflects the large number of employees in the banking sector in Bournemouth and to a lesser extent in Poole:

Figure 3: Percentage of all financial services employment in financial services sub-sectors



Source: ABI 2004

12. Given, as above, that the sector employs around 16,300 people in around 900 establishments – an average of 18 people per establishment – it is not surprising that many financial services establishments are small. However, it can also be seen that 10 establishments employ 200 or more people, of which 9 are in Bournemouth or Poole:

Table 1: Numbers of financial services establishments of different sizes in the BDPS area

	1-10 employees	11-49 employees	50-199 employees	200+ employees	Total
Bournemouth	143	49	8	6	206
Dorset	207	45	2	0	256
Poole	71	25	5	3	104
Somerset	272	68	6	1	347
Total	693	187	21	10	913

Source: ABI 2004

13. This distribution does not, of course, mean that the majority of sector *employees* work in small establishments. In fact, only 38% do so, whilst well over half (62%) work in establishments employing 50 or more people. More particularly, it can be seen that the 9 large establishments in Bournemouth and Poole between them employ around 7,800 people, nearly half (48%) of all employment in the sector in the BDPS area; with the remainder not only employed in smaller establishments in Bournemouth and Poole but in smaller establishments spread across the counties of Dorset and Somerset:

Table 2: Employment in financial services establishments of different sizes in the BDPS area

	1-10 employees		11-49 employees		50-199 employees		200+ employees		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Bournemouth	577	9	971	14	899	13	4,250	63	6,697	100
Dorset	743	43	520	48	132	8	0	0	1,695	100
Poole	314	6	549	11	444	9	3,566	73	4,873	100
Somerset	1,007	33	1,316	43	453	15	283	9	3,049	100
Total	2,641	16	3,655	22	1,927	12	8,099	50	16,320	100

Source: ABI 2004

Note: Percentages add horizontally

Other employment characteristics

14. Employment in the sector is biased towards women but not hugely so – 57% of the workforce is female whilst 43% is male. The difference is largely accounted for by the employment of women on part-time terms. Whilst male full-time staff and female full-time staff each account for 39% of the total workforce, female part-time workers account for a further 19% but male part-time workers for only 3%. Thus, overall, the sector is largely a ‘full-time’ one – only 22% of the total workforce is employed on part-time terms.

Trend in employment

15. Nationally, financial services sector employment has not changed in recent years. The Annual Business Inquiry shows the loss of a few hundred jobs from a national total of around 920,000 between 1998 and 2004.
16. Locally, the ABI shows a similar picture – a negligible loss of jobs between 1998 and 2004. However, that result hides more detailed geographical change with growth in Bournemouth and Poole but decline in the counties of Dorset and Somerset:

Table 3: Employment change in the financial services sector in the BDPS area, 1998-2004

	1998	2004	Actual change	Percentage change
Bournemouth	6,234	6,696	+462	+7
Dorset	1,922	1,695	-227	-12
Poole	4,595	4,873	+278	+6
Somerset	3,652	3,049	-603	-16
Total	16,403	16,320	-83	-

Source: ABI 2004 and 1998

17. The trend since 2004 is not formally known but it is suggested that there may have been further growth since then in Bournemouth and Poole which has added around 2,500 jobs to the total (of around 16,300 jobs shown in the table above) which is formally known through the 2004 Annual Business Inquiry. This would bring total employment in the BDPS area as a whole to around 18,800 with further polarisation such that Bournemouth and Poole's share of all financial services sector employment in the area may have risen to around 75%:

18. As with geography, apparent overall employment stability conceals sub-sectoral changes on a quite marked scale (though it should be noted that the Annual Business Inquiry is not a complete census of employment and apparent changes may be exaggerated). However, the ABI records strong growth in the 'stockbroking, etc.' and 'insurance and pension broking' sub-sectors, modest growth in the 'banking and building societies' sub-sector, and declines in employment in the 'leasing and credit' and the 'insurance and pension funds' sub-sectors:

Table 4: Employment change in the financial services sector by sub-sectors in the BDPS area, 1998-2004

	1998	2004	Actual change	Percentage change
Banks and building societies	9,586	9,927	+341	+4
Leasing, credit, etc.	1,161	808	-353	-30
Insurance and pension funds	3,605	2,496	-1,109	-31
Stockbroking, fund management, etc.	344	914	+570	+166
Insurance and pension brokers, etc.	1,707	2,175	+468	+27
Total	16,403	16,320	-83	-

Source: ABI 2004 and 1998

Employment in financial services: an alternative view

19. The analysis above has relied on the Annual Business Inquiry to estimate and analyse patterns of employment in the financial services sector. However, there is an alternative analysis offered by the 'Working Futures' forecasting model produced by IER for the LSC.
20. This model suggests a significantly higher total level of employment for 2006 in the sector: around 20,500 jobs in Bournemouth, Dorset, and Poole and around 3,700 jobs in Somerset making a total of around 24,200 jobs in the BDPS area (compared with the c. 13,300 jobs in BDP, 3,000 jobs in Somerset, and a total for the BDPS area of 16,300 jobs estimated by the ABI for 2004).
21. The reason for the discrepancy may be two-fold. First, as we noted above, there are informal indications that at least 2,500 jobs may have been created in Bournemouth since 2004. Second, the ABI does not count self-employment in the sector whilst Working Futures does. The significant number of people working as independent financial consultants may explain part of the discrepancy.
22. Overall, therefore, whilst the analysis of the Annual Business Inquiry set out above is useful in describing the distribution of employment (its broad pattern is still probably robust) it should also be recognised that the financial services sector – because of growth since 2004 in Bournemouth and Poole and because of the inclusion of self-employed workers in the sector – actually has a somewhat larger employment significance than the ABI suggests – a total of around 24,000 jobs is probably reasonably accurate (and conforms with Population Census data in which 23,300 individuals identified themselves as working in financial services)

Future employment in the sector

23. Future employment in the financial services sector in the BDPS area is unusually difficult to predict.
24. A number of forces may be at work:
 - Firstly, the sector is prone to merger and acquisitions and consequent rationalisation of assets. This process may underlie the reduction in employment (noted above) in the counties of Somerset and Dorset between 1998 and 2004. In these areas, financial services largely consist of local branches of banks and building societies. Rationalisation may have led to the closure of some branches in the market towns of these counties and to consequent falling employment. Further rationalisation and efficiency gains may be sought in future, consequent on further re-alignments of the major national financial institutions taking effect at local level.
 - Secondly, however, large establishments are concentrated in Bournemouth and Poole – headquarter and major back office functions. Companies located there include JP Morgan, Barclays International, Liverpool Victoria, RIAS, Portman Building Society, Standard Life, Amex, Teachers' Assurance, Abbey Life, and Unisys. This agglomeration may have three effects in employment terms. Firstly, it may attract other major companies to the area to take advantage of the same factors which attracted existing ones. In that case, there may be further spikes in employment levels in the sector as other (unpredictable) inward relocations occur. There are

indications that a further major employer may be accommodated in Bournemouth in the foreseeable future with the possible addition of over two thousand jobs to the area. Secondly, those major companies which are fairly new to the area may continue to expand significantly. Thirdly, however, the companies include some which have back office and customer service functions. These may be vulnerable to outsourcing and it could be that competitive pressures force some of this work overseas.

25. Thus, whilst the Working Futures forecasting model predicts *stability* in sector employment (suggesting 20,700 jobs in BDP by 2014 compared with 20,400 in 2006 and 3,750 jobs in Somerset by 2014 compared with 3,700) these forecasts may be vulnerable to large variation brought about as major industry players restructure their ownerships and/or their corporate strategies.

Summary: financial services employment in the sub-region

26. A review of financial services employment characteristics in the BDPS area reveals:
- A total of 24,000 people are employed in the sector with the bulk of these, perhaps as many as 75%, being employed in Bournemouth and Poole.
 - The sector is, therefore, in locational terms, heavily 'dichotomised'. There is a range of bank and building society branches, small insurance brokers and independent financial advisers spread across the sub-region; but, additionally, there is a financial services cluster comprised of a dozen or so major companies located in Bournemouth and Poole.
 - Consequently, the sector is more significant in employment terms to the economies of Bournemouth and Poole than it is to the national economy on average, but it is less significant than average to the rural and market town economies of Dorset and Somerset.
 - The workforce is weighted to female employment but the difference is made up by a higher number of female part-time workers. The numbers of male and female full-time workers are similar. Overall, the sector is more 'full-time' in character than many others which employ a majority of female staff.
 - The sector is forecast to generate stable overall employment levels but this 'technical' forecast generated by the LSC's forecasting model may be unusually sensitive to on-going structural and operational changes in the sector. These changes have the potential to raise or lower local employment levels significantly above or below the forecast trend.

3. Key sector drivers

Introduction: financial services as a growth sector

27. The financial services sector has been one of the key growth sectors in the UK's economy over recent decades and, particularly, since deregulation of financial markets in 1992. A recent report (*The importance to the UK economy of a successful financial sector*, British Bankers' Association, Lombard Street Associates, 2006) records that the sector's output (Gross Value Added) rose at an average annual rate of +5.2% between 1992 and 2004, over twice the average growth of +2.5% in the economy as a whole. To some extent the sector's output is cyclical, with pronounced spikes in the mid 80s, early 90s and early 00s, but the overall trend has been upwards to the point where financial services now generate around 5% of UK GDP with around half of this generated in the City of London.
28. However, this output growth has been achieved without increasing employment in the sector. Between 1992 and 2005 employment in the sector fell by an annual average of 0.5%. Output growth was, therefore, associated with strong growth in labour productivity, at an average annual rate of +5.97% between 1992 and 2004 compared with an all-economy average rate of +1.91% in the period. Growth in productivity also resulted in real earnings growth. The Labour Force Survey shows that, between 1995 and 2005, gross earnings in the sector rose by an annual average of 4.7%, the highest rate of any sector in the UK. The median earnings of managers in the sector in 2005 were £45,000 (£34,000 average for all sectors), for technical staff were £33,000 (£26,000) and for administrative, secretarial, sales and customer services were £18,000 (£16,000) (Source: Annual Survey of Hours and Earnings, 2005). Overall, the financial services sector earnings premium over average earnings is estimated at 28% (though this rises to 85% for staff employed in the City of London).
29. Overall, therefore, the wealth generation potential of the sector is very high and the UK's advantages (historical skills bank, agglomeration, English language, a central position in terms of time zones between US and Far Eastern markets, and an effective regulatory framework) are expected to consolidate in future years. However, as noted above this does not necessarily translate into increasing employment levels.
30. Beyond these basic dynamics, a number of other factors influence the way the sector will develop.

Technology in the sector

31. The first is the importance of ICT technologies to the sector, used in....
 - Conducting national and financial transactions at speed. One commentator has described the environment as one which requires 'millisecond performance and rapid development to compete in a cut-throat market, whilst zealous regulators hover in search of mistakes'.
 - Managing huge customer databases whilst seeking to maintain security.
 - Managing existing customer relationships and using telephone techniques to sell to new customers.

Consolidation and globalisation

32. The second factor concerns the broad industry trend towards consolidation, both within the UK and internationally, through mergers and acquisitions; and towards the de-mutualisation of former mutual organisations which facilitates this process. The effect, largely stimulated by de-regulation of markets in 1992, has been a sharp reduction in the numbers of smaller independent banks and building societies as they have been absorbed into larger, sometimes cross-national, institutions. Strong global competition places pressure on these larger institutions to minimise costs and to rationalise their property footprints for maximum efficiency.

Outsourcing

33. A particular aspect of this is the ICT-enabled outsourcing or 'off-shoring' of customer service, telephone sales, IT functions, and administrative processes to overseas locations, most often in India, where labour costs are lower.
34. There has, of course, been an international debate about the merits and demerits of off-shoring. Unfortunately, there still exists a considerable lack of data regarding the scale of off-shoring in the UK, due mainly to the negative image of off-shoring and the sensitivity of the issue in business terms. A rough estimate was given by the Chancellor who stated that between 2% and 3% (up to 5 million) of American and European service-sector jobs would possibly be outsourced off-shore by 2015 (Speech Gordon Brown, 25.01,04). A report of Evalueserve for NASSCOM, India's National Association of Software and Service Companies, estimated that 275,000 British jobs would be lost as a result of off-shoring by 2010, of which 219,000 would be ICT and call centre jobs (Evalueserve, 2003).
35. What the effect of such job losses will be in national economic terms is not clear.
36. Classical economic theory preaches that off-shore outsourcing by British companies in the context of free global trade will ultimately be to the advantage of everyone. From this perspective, it makes sense for businesses to compete internationally on the basis of cost effectiveness. According to the theory of competitive advantage, national economies should produce those products and services that they can produce most cheaply and effectively. This suggests that national or regional specialisations plays an important role in the international marketplace, and enabling national economies to compete on quality as well as cost.
37. However, the public debate has been much less interested in classical economic theory and much more interested in the everyday reality of job losses in particular sectors and particular local economies.

Regulation

38. A fourth factor which impacts on the sector is the degree of regulation which is imposed on it. On the one hand, regulation is important to consumer confidence in the sector's products (particularly following some 'mis-selling' scandals in the 1980s and 1990s and the collapse of banks such as Barings and BCCI). An appropriate level of regulation is important, too, in international terms. It has recently been argued in the financial press that over-stringent regulation of US financial markets and of company audits in the wake of the Enron fiasco may drive more stock listings and financial trades in the direction of the UK. The Financial Services Authority (FSA) seeks to balance out the competing risks of under- and over-regulation.

Corporate social responsibility

39. The fifth factor we mention here as a current sector driver is that of 'Corporate Social Responsibility'. This has several strands which can be summarised as:
- Concern to evaluate the effects of bank lending and investments on the environment – essentially to avoid supporting international development projects which may be seen to have major negative impact on environmental quality and natural resources. Institutions frequently apply an 'Environmental Credit Risk Assessment' to evaluate such potential investments.
 - Concern not to invest in commercial projects which are seen to be exploitative and which benefit from poverty-level wages and social exclusion.
 - A more domestic concern not to 'overlend' in a way which increases personal and family indebtedness to the point where bankruptcy may become the only solution.
40. The extent to which these concerns actually govern financial institutions' practices as opposed to appearing in their corporate statements is debatable, but it can at least be said that these issues are publicly recognised by most major institutions.

Demographic change

41. As with some other sectors the changing demographic and social structure is likely to influence how the sector behaves and performs.
42. Firstly, in terms of markets, an ageing population requires a greater volume of retirement provision. Given the recent poor performance of some pension and endowment policies, the government's proposals for reform of state pension arrangements, and the decline of 'final salary' pensions, the position is far from clear as to what the financial sector will offer in terms of pension products but the opportunity for long-term growth based on rising market volume exists.
43. Secondly, in terms of the workforce, the sector which, in some types of activity (such as call centres) relies heavily on young staff, may face significant competition for a share of a labour pool which is in relative decline.

Summary: key sector drivers

44. A number of forces generating change in the financial services sector have been briefly described. Some of their potential *labour market* implications can be set out as below:

Drivers	Effects on labour demand and skills
<p>Rising output; stable employment levels; increasing productivity</p>	<p>Competitiveness in globalised financial markets requires increasing productivity and minimisation of labour inputs. Productivity is achieved by consolidation into fewer larger units which reduces HQ overheads; by introducing technology (cash points, on-line transactions, etc.) which reduces the requirement for face-to-face operations; and by concentrating traditional clerical jobs into highly efficient centralised 'back offices'.</p> <p>The implication is that 'natural' jobs growth in the BDPS area is likely to be highly constrained by this productivity demand. If jobs growth does occur, as in recent decades, it will come from further inward investments, most probably into the existing Bournemouth and Poole cluster, and from the expansions of the new investments already there towards their targets.</p> <p>Simultaneously, there will continue to be some risk that further mergers and acquisitions will occur which have negative consequences for one or more of the major sector employers already there. As banks, building societies, and insurers continue to play the corporate 'chess game' it cannot be self-evident that none of the pieces will be moved out of the locality.</p>
<p>Off-shoring</p>	<p>A specific threat is that more of Bournemouth and Poole's more routine customer service and IT functions may be off-shored. It has been argued that customer preference for a generic 'British' response may hold the line against further outsourcing job losses but the commercial advantages of moving such operations to India (where wage levels are a fifth to a seventh of those for equivalent jobs in England) <i>may</i> prove too strong.</p>
<p>Technology in the sector</p>	<p>Whilst technology, as above, has potentially significant consequences in reducing staff numbers and permitting outsourcing in relation to routine functions, it generates more specific demand for IT skills at the technical level. In as much as the sector in Bournemouth and Poole continues to grow, the question will arise as to how the sector locally will meet demand for high level IT skills. High local house prices may deter inward relocation of these specialists and pressure on the local learning infrastructure for the development of high level IT skills may rise.</p>
<p>Regulation</p>	<p>As we noted above, the development of an appropriately pitched regulatory regime is important to the general strength of the industry – reassuring customers and providing an environment which is attractive for financial services inward investments into the UK.</p> <p>However, at local level, the main impacts of regulation in terms of skills and training probably concerns Independent Financial Advisors (IFAs). Following various mis-selling episodes, IFAs require to have a much tighter grasp of what they are offering to clients and of how products may be presented. This generates a highly specific training need but one which is largely met by the major institutions for whose products IFAs act as representatives and sales persons.</p>
<p>Demographic change</p>	<p>Whilst we noted that an ageing population raises the potential demand for pension products, the main local demographic issue concerns the other end of the age scale. It is whether the area has enough young people with the skills and commitment to enter the sector (which in some segments is a 'young people's industry') given their declining share of the population as a whole and competition from others.</p>

45. After this brief review of some of the broad pressures which have impacted on the sector and will continue to do so, we now move on to a more detailed consideration of the labour and skill demand and supply issues which affect the sector in the BDPS area generally and, because of the concentration of sector employment, in Bournemouth and Poole particularly.

4. Demand for labour and skills in Bournemouth, Dorset, Poole, and Somerset

Introduction

46. Thus far, we have reflected on the size of the financial services sector in the BDPS area, on the trend in employment, and on the major factors which drive both the overall level of employment and the changing nature of skills required in the industry.
47. In this chapter, the nature of labour and skills *demand* in the sub-region is considered in more detail.

Occupational structure

48. At the simplest level, 'labour demand' can be considered just as the necessity to fill the 24,000 or so jobs which are offered by the sector in Bournemouth, Dorset, Poole and Somerset. However, the nature of those jobs can be more clearly understood by reference to their occupational structure.
49. It is not possible to quantify the occupational structure for the BDPS area in *exact* terms, since no data source is available for this purpose. However, the Working Futures forecasting model offers an estimate of this structure:

Table 5: Estimated occupational structure, BDPS area, 2006

	BDP		Somerset		BDPS	
	No.	%	No.	%	No.	%
Managers	2,900	14	480	13	3,380	14
Professionals	1,420	7	240	6	1,660	7
Technical	2,450	12	380	10	2,830	12
Administrative and Clerical	9,020	44	1,770	48	10,790	45
Skilled trades	650	3	110	3	760	3
Personal Services	360	2	50	1	410	2
Sales and customer service	1,890	9	340	9	2,230	9
Operatives/drivers	420	2	80	2	500	2
Elementary clerical/service	1,230	8	240	7	1,470	8
Total	20,340	100	3,700	100	24,040	100

Source: Working Futures II

50. This data suggests that key occupational groups in the sector comprise:
- Managers (14% of total employment);
 - Professional and technical staff (19% of total employment);
 - Administrative and clerical staff (45% of total employment); and
 - Sales and customer service staff (9% of total employment)

51. These groups are supported by a significant number of people with low skill levels and by small groups of other support staff.

Occupational change

52. The prospects for change in the absolute number of people employed in the sector in the BDPS area were discussed above. However, whatever the actual number turns out to be in 5 or 10 years, some moderate change in the occupational balance is anticipated.
53. This can be summarised (for the period 2006-2014) as:

Table 6: Occupational changes in the financial services sector, 2006-2014

Occupations	Change	Drivers
Corporate managers	Increasing by about 10%	Employment in this occupation is expected to increase by 10%. The driver is the growing need for dynamic leadership skills in the sector
Professional	Increasing by about 17%	Technical content of the work is likely to increase (eg. risk management, regulation)
Technical	Increasing by about 6%	Increasing need for specialist ICT and customer data management skills
Administrators and clerical	Declining by about 5%	Loss of jobs through technical advances and off-shoring
Skilled trades	Stable	Some basic functions in this small occupational group expected to persist
Personal services	Stable	Small numbers of jobs in staff welfare functions, staff restaurants, etc. expected to remain constant
Sales	Increasing by about 18%	Demand for sales and marketing occupations expected to remain positive
Operatives/drivers	Stable	Another small occupational group in the sector which is expected to remain constant
Elementary clerical and service occupations	Decreasing by about 9%	Decrease in this occupation as a by-product of automated systems and efficiency demands

Source: Working Futures II

Replacement demand

54. With a forecast for a virtually static workforce over the coming decade (though, as we note, this may be subject to considerable variation in the event of major corporate decisions affecting the local sector) and with only moderate shifts in the

occupational structure of the sector, the key factor which influences the future demand for labour is replacement demand, the requirement for labour generated by retirements, occupational mobility, and workforce migration.

55. The Institute for Employment Research (Warwick University) estimates national rates for the combined effect of occupational change and replacement needs in the sector (Working Futures II). These can be projected on to the local occupational structure. Of course, it cannot be assumed that these effects are wholly consistent across the UK but the estimates give a broad guide to the likely scale of recruitment necessary to maintain the workforce at the required level:

Table 7: Recruitment need in the financial services sector in the BDPS area, 2006-2014

	Employment in 2006	Estimated recruitment need 2006-2014*	Estimated average annual recruitment need
Managers	3,380	1,290	160
Professional	1,660	740	90
Technical	2,830	910	110
Admin./Clerical	10,790	2,840	360
Skilled trades	760	180	20
Personal services	410	160	20
Sales and customer service	2,230	1,020	130
Operators/drivers	500	110	10
Elementary clerical/ services	1,470	300	40
Total	24,040	7,550	940

* Includes effects of occupational changes and replacement needs

Source: Working Futures II, national estimates projected on to the local workforce

56. Thus, it can be seen that the combined effect of occupational change and replacement needs may generate a need to recruit around 7,500 people into the sector (of whom around five and a half thousand may be required in Bournemouth and Poole) over the next 8 years or so. This implies an average annual recruitment requirement of around 900-1,000 people concentrated in higher level (managerial, professional, and technical) jobs and in intermediate administrative, clerical (including data processing staff), sales and customer service jobs. Local anecdotal evidence confirms that replacement needs, generated by significant 'churn' in the more routine data processing and call centre occupations in the Bournemouth and Poole conurbation, are significant.

Changing skill needs

57. Numerical demand for labour within the sector at different occupational levels is one thing. There is, however, also the question of how *skill* needs within those occupations is changing. The 'Skills Dialogue' for the sector sponsored by the DfES in 2002 suggests some of the directions in which skill needs were changing

at that point. If we assume that the same basic directions are still relevant, then the skill requirements of the sector can be summarised:

58. *Technology skills (eg. data systems)*

Customer data management will remain crucial for financial services firms in the future. In essence this can be explained by the need to understand customers and how they behave. Knowledge about customers will become increasingly valuable as a way of targeting services and products. The ownership and good management of this data will be important to firms' success – hence the prospects for growth in the professional and associate professional occupations including ICT specialists. In addition, the sector has been subject to increased automation; for example, the much-quoted replacement of banking staff by Automated Teller Machines (ATM). The pressure to reduce costs will impact upon all employees in the financial services sector; most notable however, is the pressure to cut secretarial and administration costs. The 'technological imperative' will remain strong in the sector.

59. *'Holistic' skills*

The growing importance of the individual – as entrepreneur; investor; consumer – will mark one of the big changes of the coming decade. As the individual takes more control over his financial affairs, he will want a fuller range of products. People will become more discerning, more ready to shop around; this means less inertia, but also less loyalty. But a more financially active consumer will also need more help and advice: better price information, clearer choices, regular financial health checks. Some of this will come from familiar sources (eg. IFAs, the Press). But more will be delivered by technology (search engines, electronic decision-makers, ready reckoners), and there will be a growing role for Government and employers to help consumers handle their new financial responsibilities. Thus, there will be a shift away from a product-driven industry towards a customer-driven market. This has clear implications in signalling an occupational shift towards people with more holistic skills encompassing both technical and generic skills.

60. *Risk management skills*

The shift of financial responsibility from company and Government to the individual, along with the large number of small businesses will stimulate demand for risk management and advisory skills. The effective management of risk calls for a clear focus on comprehensive, timely and reliable management information to support corporate decision making. Alongside the need for independence in the advisory system both corporately and on an individual basis, this is another area where skills and training will need to be up to speed with the market. Equally, at the higher level, this will underpin greater demand for professional staff.

61. *New and specific technical (non-technological) skills*

There is a continual need for employees to keep up with a range of technical changes both as a result of regulation and dynamic change in the market. This affects employees at all levels although the complexity of change increases with the occupational hierarchy.

62. *IT user and specialist skills*

Demand for IT-user skills will continue to grow for basic IT skills as the shift towards call centres and on-line finance continues and the application of IT across all disciplines. However, there is likely to be a more noticeable increase in the demand for advanced IT and software skills as consumers become more discerning. Emphasis will be placed on the quality, simplicity and speed of websites which will require additional IT-specialist skills, those of website designers in particular.

63. *'Creativity' skills*
Bankers will need to acquire finer credit skills in order to differentiate new types of business and to value companies whose assets are becoming increasingly intangible – such as knowledge and intellectual property-based assets.
64. *Multi-skilling and greater flexibility*
In the financial services sector, as in other sectors of the UK economy, employees will need to be flexible and multi-skilled in order to deal with their employers' increasing demands. This will be true both at junior and more senior levels.
65. *The ability to deal with change*
Change, whether through the adoption of new technologies and working practices or through mergers/acquisitions or through new organisational structures is a fact of life for most financial services employers. Employees at all levels need to be able to cope positively with this, whether through their general attitude or their ability to learn new skills. Managers, especially those at senior levels, need change management skills which enable them to introduce change and to manage it effectively through their organisations.
66. *An ability to continue learning/reskilling*
Implicit in the areas listed above is the need for financial services employees to continue learning – and this is particularly important given that a significant proportion of the current stock of skills will potentially remain within the industry over the next 10 years or so. Employers increasingly look for an ability to learn, but also an attitude of mind which predisposes people to be interested in, and proactive about, learning.
67. *The greater importance of personal and generic skills*
Overall, employees are increasingly expected to have skills and abilities in communication, team-working, problem-solving, organisation and management. However, it is questionable whether the financial services sector will want to invest heavily in developing these skills – hence the focus on self-learning.
68. *Business awareness*
This has varying implications at different levels. For example, those involved in the design of new financial products need to understand the business and its position and aims in the wider market. However, as businesses have become more competitive, it has become increasingly important that employees at all levels understand the implications of their actions, or that of their team, for others and the customers.
69. *Customer services skills*
The financial services sector has become much more customer-focussed and this has implications for the skills of employees as noted above.
70. Table 8 below provides a summary analysis of these skill trends and the significance which they have to sub-sectors:

Table 8: Skill requirements in financial services sub-sectors and related occupations

	Banking and finance		Insurance	
IT user	√√√	All SOC	√√√	All SOC
IT specialist	√√√	SOC 2-3	√√√	SOC 2-3
Creativity	√√√	All SOC	√√√	All SOC
Multi-skilling	√√	All SOC	√√	All SOC
Change management	√√	SOC 1	√√	SOC1
Learning/re-skilling	√√	All SOC	√√	All SOC
Business awareness	√√√	SOC 1-3	√√	SOC 1-3
Customer service skills	√√√	SOC 4	√√√	SOC 4
Technical skills	√√√	SOC 2-3	√√√	SOC 2-3
Experience	√√√	All SOC	√√√	All SOC
Generic skills	√√√	All SOC	√√√	All SOC

Key: √√√ - very significant √√ - significant √ - some significance

SOC 1 = Managers
 SOC 2 = Professionals
 SOC 3 = Technical occupations
 SOC 4 = Administrative and clerical occupations

Summary: labour and skills demand

71. A review of labour and skills demand from the financial services sector in the BDPS area suggests:
- The broad level of underlying demand is expected to remain stable, requiring staff to fill around 24,000 posts in the BDPS area.
 - However, this may fluctuate significantly due to future corporate decisions which may have positive or negative effects. Some off-shoring of local employment has already taken place and more may occur. On the other hand inward investment may generate more new jobs (with one possible significant investment already being developed). Such changes are most likely to affect Bournemouth and Poole where the bulk of the sector is located.
 - Additionally, there are expected to be moderate occupational shifts in the sector which will tend to favour higher level and sales/customer services occupations at the expense of routine and lower level clerical jobs.

- And further, significant numbers of people will need to be recruited to fill posts vacated by those who retire or otherwise leave the sector.
- Overall, it is estimated that the sector will need to recruit around 900-1,000 people per year, mostly in Bournemouth and Poole, to maintain the sector's labour force.
- In general, the expectation is that the sector will increasingly require a variety of skills which respond to the demands of a highly competitive and fast moving industry. These include:
 - Specialist IT skills at technical and professional levels and good IT user skills at all levels of the sector's occupational hierarchy
 - A range of 'adaptivity, creativity, and flexibility' skills – change management skills for managers and multi-skilling and learning skills at all levels
 - Better customer service skills, particularly amongst customer-facing administrative and call centre staff
 - And good interpersonal, team-working, communications, and problem-solving skills throughout financial services operations

5. Supply of labour and skills

Introduction

72. The previous section of this report considered labour and skills demand – the numbers of people with particular abilities which the financial services sector in the BDPS area needs, now and in the near future, to operate its services at an efficient level.
73. This chapter moves on to consider the ability of the local area to supply those requirements. However, as context we first set out a brief consideration of some national supply characteristics.

The national supply picture

74. National information on the supply-side for the financial services sector is by no means comprehensive but a number of features can be picked out.
75. Firstly, the sector is a significant employer of qualified staff. The Annual Population Survey (previously the Labour Force Survey) suggests the following structure of qualifications held by people working in the sector:

Table 9: Qualification profile of the UK financial services sector

	UK financial services	UK all sectors
NVQ4+	33.3	30.0
NVQ3	27.5	24.3
NVQ2	28.1	22.0
NVQ1 and below	11.1	23.7
Total	100	100

Source: Annual Population Survey 2005

76. Overall, therefore, at least a third of the industry's workforce is qualified to graduate or equivalent level. This proportion is rising steadily – from 20% in 1994, to 28% in 2000, to 33% at present.
77. One main reason for this change is the inflow of graduates into the sector (the HESA database estimates around 7%-8% of all graduates, 13,000 in total, enter the sector each year) and the outflow of unqualified people (often tied insurance agents who retire out of the sector).
78. However, graduate entry is only the start of the qualification process for technical, professional and managerial jobs in the sector. Numerous professional institutes then offer a range of over 60 certificates, diplomas and NVQs which convert non-specialist graduates (often with a degree unrelated to the sector) and other entrants into sector specialists.

79. The complexity of the qualifications framework was recognised by the Financial Services NTO in 2000 (*Competence and Qualifications in the Financial Services Industry*, July 2000). This report argued, in summary, that:
- Skills development in the financial services sector needs to match the dynamics of the market place – the UK will fall behind its key competitors unless this is the case.
 - Professional qualifications have become institutionalised adding to the lack of dynamics in the sector – in fact, the plethora of professional and awarding bodies associated with the sector are not thought to be acting in the best interests of the industry.
 - With the market changing dramatically towards being more client focussed, skills supply is, by all accounts, dislocated from the growing and changing demand in the market place. There is increasing recognition that competence to do the job is as important as professional accreditation: the latter is therefore seen as only a part of the mix of skill requirements for the industry.
 - Other important skills for the industry need to be built into the core competence process of training within the industry including IT, business awareness, leadership and behavioural skills.
 - The identification and development of these more generic and technical skills will extend the concept of employability throughout the industry – the most important skill to have now is that which deals with continuous change since this is the only certainty in the sector.
 - Despite their vocational focus, NVQs have a branding problem – this needs to be addressed if the public sector is to play a meaningful role in supporting the sector.
 - Linkages with higher education institutions are beginning to emerge, bridging gaps and supporting development needs especially in relation to management training.
80. In response to the second point above, in 2001 the Financial Services Authority (FSA) instituted a consultation and review process designed to deliver a better and simpler approach to qualifications development (*Examinations Review*, FSA, 2001). However, that process has dragged on and was handed over to the new Financial Services Sector Skills Council in 2004. The FSSC is now carrying out a 7-strand review (covering different areas of the industry) as to appropriate examinations/qualifications for the area, but only one 'strand' (investment and mortgage advice) has been completed.
81. Most of the accredited training used to deliver the large number of professional and technical qualifications noted above is delivered primarily in-house or through private training providers. The Skills Dialogue for the industry comments that this has historically left little scope for the public sector. A reflection of this has been the sector's response to NVQs which 'are not particularly well-regarded and thought to be overly bureaucratic'. Employer consultations, in the course of preparing the Dialogue, were revealing in this respect. The negative view of the public sector related to its lack of responsiveness when support was sought. In such a dynamic and complex environment, neither the LSC nor colleges appeared to provide the type and/or quality of service that would meet the needs of the sector within an appropriate timescale. The other concern was the NVQ

system which was regarded as a ‘paper chase’, ‘tick box oriented’ and ‘lacking the practical focus needed for accreditation purposes’.

82. There are examples of success, notably in investment National Occupational Standards, but in other cases, individuals preferred company accreditation even if it was less attractive in the market place. In which case, this partly explains why the sector appears to have internalised skilled and training provision – it perceives that there are few credible alternatives. Evidence highlighting the limited role of NVQs in the industry is also reflected in the Apprenticeship system, which has not been widely taken up in the sector. Overall, the Skills Dialogue concludes that ‘the public sector has a limited role within the financial services skills supply chain beyond secondary or graduate education’.

Local skills supply

83. Turning now from the national context to the local position, labour and skills supply in the BDPS area depends, broadly, on two factors. Firstly, the general availability of labour and, secondly, the scale and success of mechanisms to generate relevant skills.

Broad labour supply

84. Thus, a first issue concerns the availability of labour in general. Of course, the financial services sector is in competition with other sectors for the supply of labour – particularly at lower levels and for generic skills which are readily transferable between sectors. The question is one of whether the local labour market is ‘tight’ (ie. fairly competitive for labour or skills) or not.
85. There are a number of indicators of ‘tightness’ in Bournemouth, Dorset and Poole.
86. Firstly, the working age employment rate in Dorset and Poole is higher than in England and the SW as a whole though Bournemouth has a lower rate than both. Since 2001/02, the rate has grown in Dorset, but fallen in Poole and in Bournemouth. The national rate has remained static, and the SW rate has fallen slightly:

Table 10: Employment rates in Bournemouth, Dorset and Poole

Percentage of working age population	Jun 01-May 02	Jun 04-May 05	% point change
Dorset	79.4	80.9	+1.5
Bournemouth	73.0	68.1	-4.9
Poole	80.3	77.2	-3.1
South West	78.9	78.8	-0.1
England	75.1	75.1	0

Source: ONS Quarterly Labour Force Survey 4th quarter average May 05

87. Thus, although there has been some slackening, local employment rates in Dorset and Poole (though not Bournemouth) remain higher than national levels – suggesting that the number of people available to enter the labour market is lesser than elsewhere.

88. Secondly, the latest annual unemployment rates are 3.9% for Bournemouth, 2.4% for Dorset and 2.3% for Poole (SW: 3.6%, Eng: 4.7%). Bournemouth's 12-month average claimant count rate of 1.7% is higher than the South West average of 1.4%. The rates for Dorset (0.9%) and Poole (1.0%) are below. All are less than the England rate (2.4%). Again, therefore, labour market tightness is evident. Unemployment rates (though recently moving upwards) remain very low in historical terms and local unemployment may be reduced to the minimum of people in 'transitional' unemployment – between jobs – or who are difficult to employ because of low abilities and/or low motivation.
89. If these factors suggest that local labour supply is constricted, then data on *house price* data emphasises the difficulty for prospective applicants for lower paid/lower skilled occupations to move into the area.
90. Thus, in Q3 of 2005, the average house price in Poole (£254,959) was the highest (out of 15) among SW county and unitary authorities, and was 29.3% above the English average (£197,201). (SW: £202,396). Dorset had the third highest average house price in the region (£230,261), and Bournemouth the ninth highest (£196,367).
91. More particularly, lower quartile housing affordability ratios show that lower quartile house prices are approximately 9.1 times lower quartile resident earnings in Bournemouth, and 9.6 times in Poole (SW: 8.5, England 6.8). For Dorset districts, ratios range from 9.2 (Weymouth and Portland) to 11.9 (Christchurch). The latter is the highest lower quartile ratio of any local authority in the South West. (*House Prices: OPDM Mean House Prices Q3 2005 (provisional)/Affordability: HM Land Registry house prices Q1-Q2 2005/ONS Annual Survey of Hours and Earnings 2005.*)
92. Data on *Somerset* is less comprehensive but it can be noted that:
- Somerset's economic activity rate (81.6) remains higher than that of the South West (80.8) or the UK (78.1)
 - Unemployment (claimant count) is lower in Somerset (1.4) than the South West average (1.7) or the UK average (2.6).
 - House prices are below the average for England and Wales. However, because of relatively lower wages, their affordability is also less than average.
93. Overall, these statistics, for the BDP area and Somerset, suggest that the labour market in both sub-regions is still quite tight and that the financial services sector has to find advantages to maintain its workforce levels in quite competitive labour market conditions. However, the financial services sector *does* have a significant advantage in that it pays higher wages for its routine staff than do, for example, the local retail and hospitality sectors. This advantage ensures that a reasonable flow of recruits into sector can currently be maintained. At lower skill and pay levels, house prices are, in principle, a barrier to in-migrants who might otherwise service the industry. However this does not apply in respect of movements from much of the South East where house prices are equally strong or stronger. There is anecdotal evidence that the differential with London is encouraging financial services staff to move into the area, particularly younger people encouraged by local lifestyle opportunities.

Work-based learning (WBL)

94. Statistics for WBL participation in the BDPS area show that only 117 Apprentices ended a period of training within the financial services sector in 2004/05. These were distributed by age and gender as:

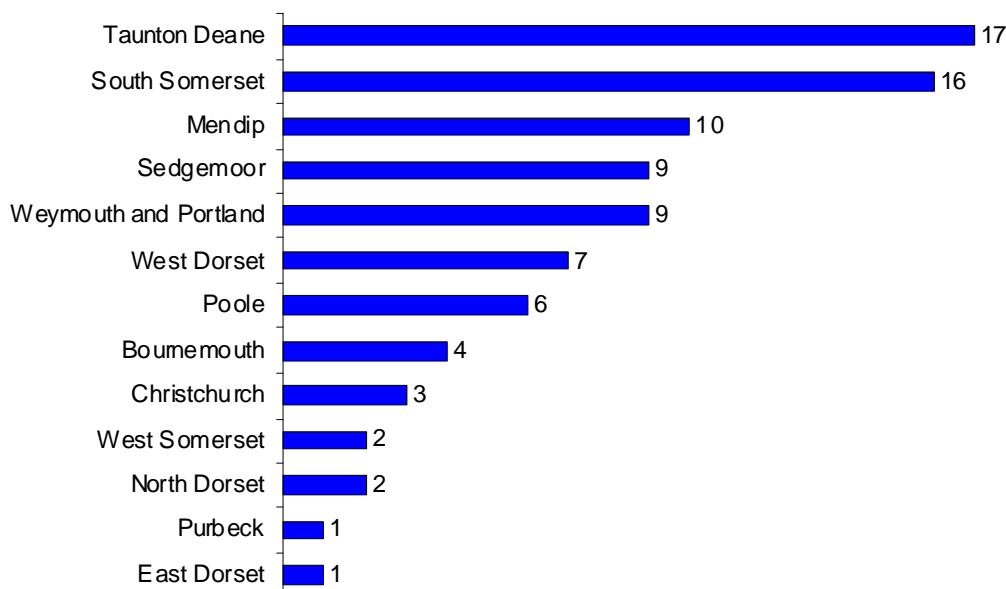
Table 11: 'Completing' WBL trainees in financial services in the BDPS area, 2004/05; numbers

	F	M	Total
16-18 years	27	21	48
19-20 years	27	12	39
21-24 years	22	8	30
Total	76	41	117

Source: ILR 2004/05

95. It can be seen that the structure of Work Based Learners tends to perpetuate the bias towards female employment in the sector.
96. Locationally, Apprentices were resident in all BDPS Districts/UAs but it is notable that there were few trainees in Bournemouth and Poole where the bulk of the industry is located:

Figure 4: 'Completing' WBL trainees in financial services per District/UA, 2004/05



Source: ILR 2004/05

97. The majority of WBL trainees were Apprentices at Foundation level (34 cases) or at Advanced level, Level 3 (55 cases), but 28 trainees trained towards Level 4.

98. Success rates were reasonably high and improved between 2004/05 and 2005/06

Table 12: Success rates in WBL in financial services in the BDPS area, 2004/05 and 2005/06

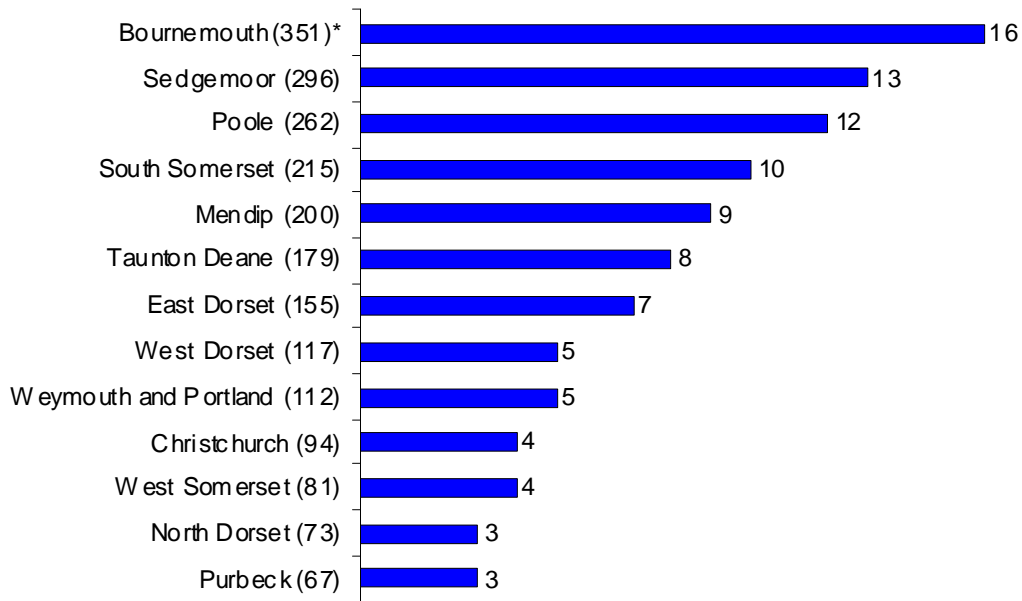
	2004/05		2005/06	
	Some achievement	Full framework completion	Some achievement	Full framework completion
Apprenticeship (Level 2)	68%	62%	71%	71%
Advanced Apprenticeship (Level 3)	67%	43%	77%	67%
Level 4	82%	N/A	N/A	N/A

Source: ILR 2004/05 and 2005/06

Further Education

99. In total, 2,204 learning aims in financial services-related subjects were pursued in Further Education by people resident in the BDPS area during 2004/05. Of these:
- 410 (19%) were pursued by people aged 16-18, 1,794 (81%) were pursued by people aged 19 or over.
 - 1,705 (77%) were pursued by females and 499 (23%) by males.
100. These students were resident in all Districts and Unitary Authority areas in the BDPS area. However, despite the concentration of the industry in Bournemouth and Poole, *Somerset* actually has a slightly greater share of students (51%) compared with Bournemouth, Dorset and Poole combined (49%):

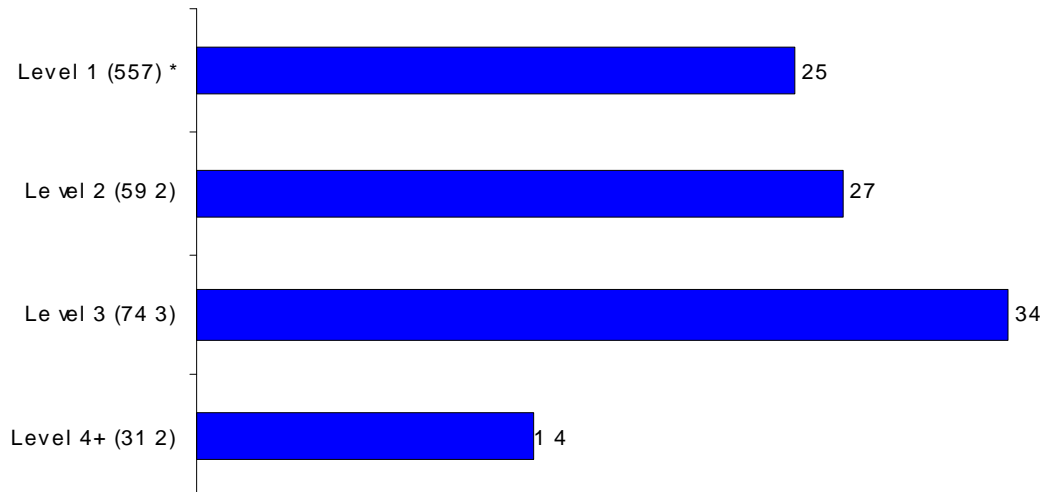
Figure 5: Place of residence of those with learning aims in the financial services, 2004/05; percentages



Source: ILR 2004/05

101. The *levels* at which students pursued learning aims were:

Figure 6: Level of learning aims pursued by BDPS area students, 2004/05; percentages



Source: ILR 2004/05

* Actual cases

102. The learning aims pursued by 16-18 year old FE students were:

Table 13: Learning aims of 16-18 year old FE students; numbers and percentages

	Number	%
ACCA Professional Scheme - Part 1	1	0.2
Certificate in Accounting	3	0.7
Certificate in Bookkeeping	7	1.7
Certificate in Computerised Payroll	1	0.2
Certificate in Financial Studies	35	8.5
Certificate in Manual Payroll	1	0.2
Certificate in Text Processing	117	28.5
Diploma in Bookkeeping	4	1
Diploma in Computerised Book-keeping	1	0.2
Diploma in Payroll Administration	1	0.2
Diploma in Text Processing	31	7.6
GCE A Level Accounting	1	0.2
GCE A2 Level Accounting	32	7.8
GCE AS Level Accounting	115	28
GCSE Accounting	1	0.2
NVQ in Accounting	59	14.4
Total	410	100

Source: ILR 2004/05

103. It can be seen that 'Text Processing', AS Level Accounting and NVQ in Accounting accounted for around 70% of all study in the financial services area for young students.

104. The learning aims of 19+ year old students were:

Table 14: Learning aims of 16-18 year old FE students; numbers and percentages

	Number	%
ACCA Professional Scheme - Part 1	6	0.3
ACCA Professional Scheme - Part 2	15	0.8
ACCA Professional Scheme - Part 3	12	0.7
Associateship	17	0.9
Book-keeping and Accounts Level 1	18	1
Book-keeping and Accounts Level 2	7	0.4
Business Finance Certificate	2	0.1
Certificate in Accounting	127	7.1
Certificate in Book-keeping	14	0.8
Certificate in Bookkeeping	256	14.3
Certificate in Computerised Payroll	42	2.3
Certificate in Credit Management	1	0.1
Certificate in Insurance	1	0.1
Certificate in Manual Payroll	27	1.5

Certificate in Mortgage Advice and Practice	47	2.6
Certificate in Text Processing	252	14
Diploma in Accounting	9	0.5
Diploma in Accounting and Advanced Book-keeping	3	0.2
Diploma in Bookkeeping	55	3.1
Diploma in Computerised Book-keeping	53	3
Diploma in Payroll Administration	15	0.8
Diploma in Text Processing	107	6
Final	8	0.4
Financial Planning Certificate	2	0.1
Foundation	6	0.3
GCE A Level Accounting	3	0.2
GCE A2 Level Accounting	2	0.1
GCE AS Level Accounting	5	0.3
GCSE Accounting	6	0.3
Intermediate (1)	25	1.4
Intermediate (2)	10	0.6
Membership	7	0.4
NVQ in Accounting	632	35.2
Stage 2	2	0.1
Total	1794	100

Source: ILR 2004/05

105. Thus, in the adult learner case, five qualifications accounted for 77% of all 19+ study:

- NVQ in accounting (35%)
- Certificate in book-keeping (14%)
- Certificate in text processing (14%)
- Certificate in accounting ((7%)
- Diploma in text processing (6%)

106. Of 16-18 year FE students, 71% either completed their learning aim or were continuing working towards it; 29% failed to complete. Of 19+ year old students, 73% either completed their learning aim or were continuing working towards it; 27% failed to complete.

107. Key FE providers are:

- Bournemouth and Poole College (27% of learning aims)
- Bridgwater College (13%)
- Richard Huish College, Taunton (8%)
- Weymouth College (7%)
- Strode College (6%)
- Brockenhurst College (6%)
- Yeovil College (5%)
- Somerset College of Arts and Technology (5%)

WBL and FE in the financial services: comment

108. What this data apparently suggests is that local public provision makes a greater contribution to the skills base of the financial sector than the 2002 Skills Dialogue for the sector believed was the case nationally. Though Apprenticeship has clearly not made great inroads into the sector, with only 117 'completing' Apprenticeships in 2004/05 and only 88 in 2005/06, the FE sector instructed towards over 2,200 relevant 'learning aims' in 2004/05 of which at least three-quarters were at Level 2 or above.
109. The main questions which arise in respect of this output concern, firstly, its location. Although the hub of the sector in the BDPS area is clearly located in Bournemouth and Poole, the delivery of FE outputs does not reflect that bias. There are actually more students pursuing financial services learning aims in FE in Somerset than in Dorset, Bournemouth and Poole combined (and Bournemouth and Poole completed only 10 Apprenticeships in the financial services area).
110. The further question which arises is, therefore, whether the outputs from FE are actually connected with the needs of the major players in the Bournemouth and Poole conurbation; or whether the connection is more with retail banking and insurance services in small units spread across the BDP area.
111. And, of course, it is important that the teaching available in the institutions offering financial services-related courses is of high quality. This latter issue can, to a degree, be assessed via Ofsted inspection reports of relevant departments in local Colleges. Where these reports are available, we set out relevant extracts below whilst noting that, in some cases, the inspections took place some time ago and that the inspections tend to be of wider business departments rather than of financial courses specifically:

Bournemouth and Poole College: inspection date March 2003

Business administration, management and professional

Overall provision in this area is **satisfactory (grade 3)**

Contributory grade for work-based learning is **good (grade 2)**

Strengths

- good pass rates in accounting, management, professional and NVQ 1 administration courses
- good teaching and learning in administration, management and professional courses
- broad range of provision
- strong support for students
- well-designed management learning programmes
- good work-based learning provision.

Weaknesses

- poor pass rates on Intermediate GNVQ and GCE A-level business studies
- low retention rates on many courses
- little checking of learning and involvement of students in some lessons
- insufficient development of ICT in some lessons
- ineffective performance management to ensure improvements to teaching and learning
- little effective use of individual action plans in work-based learning.

Scope of provision

The college provides a broad range of full-time and part-time courses for students aged 16 to 18 and adult students in business, administration, management and professional studies. The college also provides customised business courses in locations to suit local employers. There are 416 full-time and 1833 part-time students enrolled. Courses include: GCSE, AS, A-level and A2 business studies; GNVQ intermediate and AVCE business; NVQ levels 1,2, and 3 administration; and professionally accredited management and professional courses in financial services, insurance, human resources, law, management, marketing, security and loss prevention. There are 49 trainees undertaking modern apprenticeship programmes in administration and accounting.

Achievement and standards

Pass rates vary considerably. In NVQ level 1 administration and much of the accounting, management and professional course provision, pass rates are mostly good and above national averages. For example, there have been 100% pass rates in NVQ level 1 administration and the certificate in personnel practice in two of the three years prior to the inspection. There have also been good pass rates on several short courses, such as word processing, bookkeeping level 1, introduction to supervisory management and the financial planning certificate. Pass rates have been unsatisfactory in some years on other full-time courses such as GCE A-level business studies and GCSE accounting. They have been consistently below the national average on GNVQ intermediate. Overall, retention rates have varied considerably in much of the provision. For example, retention rates have been low on GNVQ intermediate and NVQ level 4 accounting. There have been improvements in retention rates on some full-time courses such as AVCE and GCE A-level business studies, where rates are now high.

In work-based learning, achievement of the full framework is good at FMA level in both administration and accounting, and satisfactory at AMA level in administration. However, achievement of the full framework at advanced level is unsatisfactory in accounting.

Students produce good work throughout most of the area. Written work is usually well presented, and many students' portfolios include assignments of a high standard. These show good evidence of critical reflection and the effective analysis of business, management and professional data. Documents produced using ICT by full-time and work-based learning administration students are mostly accurate and well presented, and also provide evidence for their key skills. However, the keyboarding skills and pace of work of some students are unsatisfactory. Students on professional courses, such as law, personnel, marketing and management understand professional concepts and use current trends and developments to illustrate their work.

A sample of retention and pass rates in engineering, 2000 to 2002

Qualification	Level	Completion year:	2000	2001	2002
NVQ administration	1	No. of starts	7	28	33
		% retention	14	**	82
		% pass rate	100	100	81
GNVQ intermediate business	2	No. of starts	51	38	46
		% retention	76	**	85
		% pass rate	36	**	47
NVQ administration	3	No. of starts	39	18	37
		% retention	90	**	95
		% pass rate	77	**	54
Advanced GNVQ/AVCE* business	3	No. of starts	100	99	36
		% retention	62	62	92
		% pass rate	**	75	76
GCE A level/A2 business study 2 year	3	No. of starts	61	48	23
		% retention	64	67	96
		% pass rate	69	50	86
Certificate in personnel practice	3	No. of starts	48	52	41
		% retention	94	96	90
		% pass rate	87	100	100
NVQ accounting 2 year	4	No. of starts	25	82	41
		% retention	36	**	98
		% pass rate	88	**	95

*AVCE in 2002

**data unreliable

Note: Retention rates on GCE A-level courses in 2002 are in-year retention rates and are not comparable with the previous years' data.

Source: ISR (2000 and 2001), college (2002)

Quality of education and training

Most teaching is generally good. Most teachers are enthusiastic and many use a variety of effective methods and activities to stimulate interest and encourage learners. In the best lessons, teachers challenge students' assumptions and help them to reflect upon and carefully analyse information before coming to reasoned conclusions. In a lesson on personnel, for example, small groups were asked to solve a difficult recruitment case study. Individual students were given slightly differing facts about the same candidates without each other's prior knowledge. Some interesting negotiations and discussions ensued between students.

The integration of key skills within some courses is good. In an administration lesson for work-based learning trainees, the students took part in a lively practical exercise on effective communication skills. Students benefit from the college's good links with the business world, and many teachers bring in their own vocational experience to enrich lessons.

In some lessons, however, teaching is poorly planned. It relies heavily on the teacher giving information. In these lessons, students are primarily expected to assimilate facts and concepts with little dialogue with the teacher or discussion with each other. There is little attempt to assess whether students are actually learning and understand the work.

Most teachers are experienced and well qualified. Full-time staff have regular access to staff development and part-time staff are required to undertake teacher training. While there is no systematic commercial updating for staff, part-time staff who are also practitioners bring in current professional expertise which benefits students' learning.

Accommodation is satisfactory. The NVQ training office is well designed and the management and professional suite is attractive and has a strong professional atmosphere. Students have good access to computers in specialist rooms at both main sites and in work placements. There is an absence of computing facilities in many classrooms, however, and this has inhibited both curriculum design and teaching. The college learning resources centres provide good curriculum support for students, with a wide range of reading materials and computer facilities. There is a developing college intranet site.

Assessment procedures are satisfactory. No overall curriculum area policy for homework is in place, but staff do provide detailed and helpful written comments on students' assignments and return work promptly. Full-time students have individual action plans which teachers regularly monitor. However, action planning which develops students' responsibility for their own progress, is not fully in place for work-based learners. Course teams meet regularly to internally verify students' work but students' progress is often not discussed at other team meetings. Assessment is not always effective in the classroom. Some teachers do not systematically check students' progress and much of their questioning fails to test the learning and understanding of all students.

Students speak highly of the support given to them by approachable and helpful staff. This begins with good advice and guidance at the enquiry stage, followed by early initial assessment to identify learning needs. Staff continue to give students support and guidance on a range of issues directing them to specialist help in college, whenever appropriate. Learning support assistants are allocated to help individuals or small groups of learners in some lessons, but insufficient liaison takes place prior to the start of these lessons between teachers and assistants. Tutorials for full-time students are regular while part-time students have more flexible arrangements. Students receive good advice about progression opportunities within college, to HE and employment.

Leadership and management

Day-to-day management is good, and the operational managers at the two main sites run their programmes well. The work-based learning unit maintains good links with curriculum area staff and employers. Team leaders provide regular, informal and continuing support to their team members. Management is particularly effective at North Road where a strong common, professional ethos has been created among a large number of part-time staff. Section managers hold regular meetings with all staff and use a variety of quality assurance procedures to monitor and improve progress. The teacher observation process is not rigorous enough across the curriculum area and is not used effectively to ensure improvements in teaching and learning. Some managers do not analyse and evaluate centrally held college data sufficiently to measure progress and plan improvements. Good equal opportunities practice is shown in the respect given to diverse views in lessons, and the sensitive integration of young, old and ethnic minority students in lessons.

Somerset College of Arts and Technology: inspection date May 2003

Business management and administration

Overall provision in this area is **satisfactory (grade 3)**

Strengths

- high pass rates on administration and secretarial courses
- well-planned and effective teaching
- up-to-date and well-used resources.

Weaknesses

- low pass rates on accounting and management courses
- inadequate assessment of part-time students' learning needs
- poor attendance and punctuality.

Scope of provision

The college provides full-time courses in business at advanced level and courses leading to NVQs in administration at levels 2 and 3. They also provide a wide range of part-time courses, in subjects such as management, accounting, personnel, and administration, and skills such as word processing and shorthand. Students can attend on a part-time day or evening basis, either at the college or at the open learning centre in the town centre. At the time of the inspection, there were 761 students, of which 55 were aged 16 to 18. Most full-time students are aged 16 to 18 and most part-time students are aged over 19.

Achievement and standards

Pass rates on secretarial courses are good, particularly on the NVQ courses in administration at levels 2 and 3 and the higher diploma in administrative procedures. Pass rates on shorthand, audio typing, and word processing courses have been well above national averages for the last two years. Although overall pass rates on accounting courses at levels 2 and 4 are unsatisfactory, most students achieve a pass when they take the external assessments for the second time. Pass rates are poor on management courses and the level 3 course in personnel practice. Students working towards the Advanced Vocational Certificate of Education (AVCE) achieve additional qualifications in IT and NVQ students gain certificates in secretarial skills. All full-time students work towards key skills qualifications and the intermediate certificate in employability skills.

Retention rates on most courses were at or approaching national averages until 2002, but all have improved significantly in 2003 since strategies were implemented to monitor students' progress more closely and to provide support for those considered at risk of dropping out.

The level of attainment in most lessons is good, particularly for adults. Students are able to explore business issues and work to deadlines. They can apply business theory to practice and are knowledgeable about topical business issues. Students' work demonstrates their good command of computing and research skills. There is good progression to higher-level courses in accounting and administration. Most students on full-time courses progress to HE or obtain employment.

A sample of retention and pass rates in business, management and administration, 2000 to 2002

Qualification	Level	Completion year:	2000	2001	2002
NVQ in accounting	2	No. of starts	11	20	13
		% retention	73	45	77
		% pass rate	81	100	60
Certificate in personnel practice	3	No. of starts	4	8	10
		% retention	75	88	80
		% pass rate	33	100	75
GNVQ/AVCE business	3	No. of starts	41	28	32
		% retention	77	66	67
		% pass rate	75	71	77
NVQ 4 in accounting	4	No. of starts	13	7	14
		% retention	62	100	79
		% pass rate	60	29	64
Higher diploma in administration	4	No. of starts	28	21	26
		% retention	88	86	85
		% pass rate	78	83	87
Certificate in management studies	4	No. of starts	15	25	19
		% retention	80	82	75
		% pass rate	75	56	40

Source: ISR (2000 and 2001), college (2002)

Quality of education and training

Most teaching is well planned and effective. Teachers use teaching methods that are appropriate to their students' abilities and needs. For example, in a GCSE revision lesson, the teacher organised a mixture of theory and practical activities to help students with learning and social needs to recall and debate difficult concepts such as market segments and population sectors, and to differentiate between qualitative and quantitative information.

Challenging behaviour was handled in a non-confrontational way, maintaining dignity and respect. Teachers draw on their own and students' experience and use up-to-date business examples. For example, adults on a part-time personnel course learned how to analyse reasons and remedies for lateness and absence at work by contrasting and comparing practices in their own workplaces. The teacher facilitated the animated discussion and summarised the conclusions. In a minority of lessons, insufficient account was taken of individual learning needs and there was no differentiation in the work set for students of different abilities.

Assessment practices are satisfactory, although there is insufficient work-based assessment on the NVQ programmes. The standard of work on most business courses is satisfactory or better. Feedback to students on their assignments is constructive and work is usually returned promptly. Assignments are appropriately challenging. For example, students on the AVCE course developed organisational, communication, finance and team-working skills by organising a fundraising event. They wrote to local businesses for sponsorship, booked the venue and entertainment, designed and sold tickets and kept accounts of income and expenditure. Part-time students on professional courses make extensive use of their work experience in projects and in their responses to examination questions. Projects have included an analysis of the online accounting system of a local authority, a review of a subcontractor payment system, and a study of the effect of the landfill tax on wastage costs on construction sites.

Attendance and punctuality are poor on many courses, particularly in the first lesson of the day. During the inspection the average attendance was 65%, and for key skills lessons attendance has been less than 50%. Attendance on the AVCE course is regularly less than 70%. The college is working hard to address this problem.

Learning resources are good. Teachers are appropriately qualified, and take opportunities to update their experience of current commercial practices through contacts with employers and professional associations. Classrooms are bright, airy and well equipped. Teachers have easy access to digital projectors and video players. Many rooms have furniture that can be moved easily to provide different layouts. In the integrated learning resource centres, students make full use of up-to-date computing facilities, the Internet and the wide stock of books and periodicals. There is a well-equipped open learning suite in the town centre where students can drop in at their own convenience to learn computer skills.

Tutorials for part-time students are arranged to fit in with students' commitments. Teaching staff are approachable and provide advice and guidance to students with concerns or difficulties. On the NVQ courses, the three-monthly reviews of progress are satisfactory, but target setting and action planning are weak. Parents, and employers of sponsored students, are regularly informed of students' progress. There is good careers guidance, but insufficient guidance on the demands of the courses and the importance of meeting assignment deadlines.

There is inadequate initial assessment of the learning needs of part-time students. Problems such as dyslexia are often not identified until the student is experiencing difficulties with coursework, which may be several months into the course. Once a problem is identified, good support is given, either in the learning support centre or during lessons by a learning support assistant. Although all full-time students have an initial assessment of their literacy and numeracy skills, those identified as needing support do not always take it up, and some students struggle, particularly on the AVCE course.

Leadership and management

Management of the curriculum is satisfactory. Course teams meet weekly and share good practice. The annual course reviews are effective and result in improvements to the courses. Most course files contain detailed schemes of work. Equal opportunities are actively promoted and diversity is valued. Any form of oppressive behaviour is dealt with promptly. There is insufficient contingency planning for staff absence and timetable changes are not always communicated to students.

Yeovil College: inspection date February 2005

Business

Overall provision in this area is **satisfactory (grade 3)**

The contributory grade for work-based learning is **satisfactory (grade 3)**

Strengths

- high retention rates on all AAT courses and high pass rates on AAT technicians course
- good achievement of apprenticeship frameworks
- good internal progression of students on professional and management courses.

Weaknesses

- much uninspiring teaching
- lack of recent industrial updating for staff
- insufficient induction for work-based learners.

Scope of provision

The courses in this curriculum area range from full-time courses at levels 2 and 3, general national vocational qualification (GNVQ), AS levels and GCE A levels, and national diploma, to part-time GCE A levels and a GCSE in accounting. There are courses leading to NVQs in business administration from levels 1 to 4. These include professional courses in management, accounting, marketing, personnel and Institute of Legal Executives (ILEX). Business administration and accounting are taught at a number of centres across Somerset and north Dorset, including the North Dorset Skills Centre at Shaftesbury.

A total of 618 students are enrolled on business courses in 2004/05, of which 167 are full time and 451 part time. There are 69 work-based learners studying for predominantly business administration and accountancy qualifications.

Achievement and standards

Over the past three years, retention and pass rates have been high on management and AAT courses. There has, simultaneously, been a generally low progression rate from AS level to GCE A level in business, but there is good internal progression through professional and management courses.

Pass rates for apprenticeships and advanced apprenticeships have risen to high levels: in 2002/03, 70% of learners achieved the full framework compared to 40% in 2001/02. Standards of students' work on AAT and supervisory management courses are particularly high, and their portfolios contain a well-balanced mix of college and work-based evidence. However, both the standard of work and the conceptual comprehension displayed by some national diploma and GCE A-level students are below expected attainment levels. There is little evidence of students on level 3 courses using appropriate analytical skills.

A sample of retention and pass rates in business administration, management and professional, 2001 to 2004

Qualification	Level	Completion year:	2002	2003	2004
AS-level business/ management/office studies	3	No. of starts	58	64	49
		% retention	90	74	94
		% pass rate	96	87	76
AVCE (double award) in business	3	No. of starts	21	30	25
		% retention	29	60	60
		% pass rate	100	72	93
Professional development award in management studies	3	No. of starts	*	17	20
		% retention	*	90	80
		% pass rate	*	89	80
GCE A-level business studies	3	No. of starts	31	30	16
		% retention	97	93	94
		% pass rate	97	100	100

Source: ISR (2002 and 2003), college (2004)

*fewer than 15 students enrolled

Quality of education and training

Many lessons are taught well. In the most successful lessons, teaching, learning and assessment have been carefully planned; teachers check students' understanding regularly and up-to-date examples from business are used to illustrate various commercial concepts. Students are not afraid to seek help and they also assist one another when appropriate. Through imaginative and flexible timetable planning, part-time students are able to follow a course of study which has been tailored to suit their individual needs and take account of their commitments. Working relationships are good and encourage learning; additional help is offered to students outside lessons and this is valued highly by them.

Many lesson plans and schemes of work lack detail. Some lessons are too undemanding of students. In these, teachers rely heavily on note taking and many teaching methods fail to inspire or stimulate students, and their development of skills does not match their potential. Students do not always concentrate sufficiently on tasks set and this is not always noticed by teachers. Sometimes teachers do not check that students have understood concepts. Students show limited ability to develop learning from previous lessons. For example, in a business studies lesson, students were unable to apply previous learning to complete a ratio analysis activity. Many full-time students have poor study habits: many do not bring previous notes or textbooks to lessons. In a lesson on finance, half of the students did not have with them the course text which the tutor was using.

Teachers are appropriately qualified, but lack recent industrial experience. Teaching accommodation is generally good although in some classrooms there is a noticeable absence of relevant material on display. Some part-time lessons take place in cramped conditions. Handouts and other printed materials are sometimes of low quality and little use is made of specialist resources, such as videos or electronic training materials, to enhance learning.

Students' access to computing equipment in the department is limited: only two rooms have computers, which are old and slow.

Induction for work-based learners is inadequate. Learners are not made sufficiently aware of the framework requirements. Many learners collecting evidence in the workplace are unsure of its appropriateness. Assessors have regular meetings with work-based learners to oversee the compilation of evidence and ensure their timely achievement of apprenticeship frameworks.

Courses provide good progression routes from levels 1 to 4 and there are comprehensive arrangements to ensure that students are enrolled on appropriate courses. External links enhance the curriculum, with good use being made of visits and conferences; a particularly effective business connection is with Longleat. Links with employers, however, are underdeveloped for work-based learning. There is no clear strategy to identify and respond to the changing needs of employers.

Assessments are imaginatively designed, although internal verification is not always carried out regularly. Marking is fair and accurate and many teachers supplement this with detailed and helpful feedback on how students may improve their work. Homework is set regularly and marked promptly. Students with learning difficulties and/or disabilities are integrated into lessons and specialist support tutors assist curriculum teachers. Full-time students' key skills are not effectively developed after initial assessment and they are not embedded in the business curriculum.

Leadership and management

Leadership and management are satisfactory. The curriculum area has responded to the challenges of structural and procedural changes under new management and has been responsive in meeting the needs of students. Communication between staff is good, and there is satisfactory monitoring of students' progression and retention. Teachers meet regularly both formally and informally as members of course and programme teams. Course files are comprehensive and administration is thorough. There are regular reviews of the provision and students' needs are carefully considered. Self-assessment is accurate in identifying key strengths and weaknesses, and a number of the issues identified in the development plan have already been implemented. The management of work-based learning programmes has improved and there is better co-ordination of off-the-job and on-the-job training. The implementation of new policies and procedures is still in its early stages and staff are encouraged to attend well-planned training and curriculum events. The staff appraisal system effectively identifies staff development needs and is integral to the staff development plan, but the issue of industrial updating for teachers has yet to be adequately addressed.

Bridgwater College: inspection date February 2002

Business and management

Overall provision in this area is **outstanding (grade 1)**

Strengths

- high pass rates on many programmes
- well-planned and highly effective teaching
- very good resources
- highly satisfied students
- very good management and teamwork.

Weaknesses

- insufficiently detailed feedback on some students' written work.

Scope of provision

At the time of the inspection, there were 338 students taking business and management courses, of whom 163 were aged 16 to 18 and 175 were adults. In addition, there were nine modern apprentices working towards NVQs in administration. The range of courses includes GCE A level, AVCE, GNVQ, and certificate and diploma programmes. Professional courses include accounting, personnel practice and management. There is a foundation GNVQ in retail and distribution. The department also offers a range of HE and commercial courses.

Achievement and standards

There are high pass rates on many programmes including GCE A-level business studies, intermediate and advanced GNVQs, the certificate in personnel practice and the certificate in management. For example, the GCE A-level business studies course and the advanced GNVQ course had 100% pass rates in 2000 and 2001. On most courses, pass and retention rates are above the national averages. Pass rates on the NVQ accounting programmes are satisfactory. They have improved over the three years from 1999. In 2001 they were slightly above national averages. Students contribute effectively in lessons. Inspectors observed examples of mature debate and appropriate emphasis on current business affairs. The quality of their written work is also good. Many adult students produce excellent work both during lessons and in their assignments. Progression rates to HE are good. Last year over three quarters of the students who passed the advanced GNVQ course went to university.

A sample of retention and pass rates in business and management 1999 to 2001

Qualification	Level	Completion year:	1999	2000	2001
NVQ administration	2	No. of starts	151	92	29
		% retention	68	80	86
		% pass rate	78	92	79
GNVQ intermediate business	2	No. of starts	25	14	10
		% retention	76	79	70
		% pass rate	84	90	100
GNVQ advanced business	3	No. of starts	45	28	38
		% retention	76	81	71
		% pass rate	77	100	100
GCE A-level business studies	3	No. of starts	29	44	35
		% retention	66	98	82
		% pass rate	94	100	100
Certificate in personnel practice	3	No. of starts	14	24	13
		% retention	93	88	85
		% pass rate	100	100	91
NVQ accounting	3	No. of starts	44	49	40
		% retention	95	96	83
		% pass rate	48	47	55
National Examination Board Supervisory Management (NEBSM) certificate	3	No. of starts	23	25	15
		% retention	100	92	100
		% pass rate	95	95	93
NVQ accounting	4	No. of starts	31	18	17
		% retention	97**	100	76
		% pass rate	23**	53	54

Source: ISR (1999 and 2000), college (2001).

** college data

Quality of education and training

Almost all lessons observed by inspectors were good or better. Lessons are carefully planned. There is good use of role-play. For example, in one lesson students prepared cases for the prosecution and defence concerning a burglary at a warehouse. There was mature discussion and convincing arguments were presented on both sides. In another lesson, the teacher created a good working atmosphere by re-arranging classroom furniture to simulate a small office. Lessons are characterised by a good balance of knowledgeable exposition, stimulating discussion and effective involvement of the students. Students particularly enjoyed lessons in which they were required to analyse information and make judgements. In several lessons, IT was used effectively to improve the teachers' presentations. In a few lessons, a few students were inattentive. Good teaching ensures that students progress at an appropriate rate. Adult students benefit from a short residential course designed to improve their teamwork. Business and secretarial students have good opportunities to make residential visits to Europe.

Assessment and internal verification are generally carried out effectively and in accordance with college procedures. Most assignments are carefully marked. Most feedback to students is appropriately detailed and helpful, but some teachers' comments do not enable students to identify how they can improve their work. Tutorial support is good. For full-time students, individual targets are set and monitored every 10 weeks. There are regular group and individual tutorials for full-time and part-time students. Students appreciate the good advice they receive on their academic progress, career choices and personal issues. There is regular feedback to parents and employers. Students expressed a high level of satisfaction with the college and their courses.

Business and management resources are very good. A new business and media building has spacious rooms. Furniture and fittings are comparable with a good, modern commercial business centre. Students have good access to up-to-date computing facilities. Assignments are frequently word processed and e-mailed to tutors. A wide range of books, business reports and current business journals are available to students. There are good links with local industry. Many staff teach on the commercial courses for industry, some go on secondments to local companies, and most visit students on work experience. However, of the 28 teaching staff, 10 do not have an appropriate teaching qualification. Most of these are part-time lecturers who are working towards a qualification.

Leadership and management

Business and management courses are very well managed. There is good communication between managers and teachers. The team shares good practice and its members work closely together to improve quality. They review courses regularly. They establish action plans to, for example, improve retention rates on the advanced GNVQ and AVCE business courses, to improve the quality of work placements for GNVQ students and to raise pass rates on the NVQ accounting programmes. Staff development often focuses on improving teaching and students' achievements. For example, a recent staff conference concentrated on ways to improve the achievement of boys. The quality of management information is good and staff have easy access to the data through the computers at their desks.

Financial services provision in BDPS FE Colleges: summary

112. As we noted above, information on the quality of FE provision for financial services is somewhat tangential. The reports are mostly not very recent and they cover a wider spectrum of courses than just those concerned directly with financial services. We can, therefore, perhaps do no more than note that, at least at the latest date available, provision in the business/finance/management areas was rated no better than Grade 3, 'satisfactory', whilst provision in only one College, Bridgwater College, was rated better than that. In this case, provision was Grade 1, 'outstanding'.

Local interventions

113. Three specific interventions to improve sector skills have been supported by the LSC in the Bournemouth and Poole area:
- The first is the establishment of a 'Finance Academy' at Poole High School (in Summer 2006) with the involvement of major financial companies in the area (including Barclays, Nat West, and AMEX). The Academy offers talented young people the opportunity to take an additional qualification (a BTEC in Financial Awareness) alongside their mainstream studies. This is supported by specialist teaching from staff employed in financial services companies and opportunities for meaningful work experience in the sector.
 - The second was the use of Skills for Life funding to identify and improve literacy and numeracy levels in one of the area's major financial services companies.
 - Thirdly, Bournemouth and Poole College has modest funding for a short pre-employment course, completion of which guarantees an interview for employment with RIAS

Employer training

114. Some participation in public provision for financial services training (via FE and WBL) will be funded and arranged by employers in the sector. However, such participation cannot be distinguished from that which individuals undertake for their own purposes without employer direction or support. It is valuable, therefore, to consider employer training from another perspective – that offered by the 2005 National Employer Skills Survey (NESS 2005). Some key indicator data is set out below drawn from this survey (and its precursor in 2003). To avoid the 'small sample' problem, regional data is used as a proxy for the BDPS area:

Table 15: Employer training indicators: financial services sector in Bournemouth, Dorset, Poole and Somerset (SW Region data used as proxy), 2003 and 2005

	Financial services sector in SW Region 2003 (%)	Financial services sector in SW Region 2005 (%)	All-sector average for SW Region 2005 (%)
Has a business plan	75	80	55
Has a training plan	61	72	44
Has a training budget	47	52	32
None of staff have a formal job description	9	6	26
Formally assess skill gaps	73	83	46
None of staff have an annual performance review	0	11	42
Have funded staff training in last 12 months	79	88	65
Average expenditure per training establishment	N/A	£5,308	£2,661
Training establishments used FE Colleges	18	16	30
% of those dissatisfied with FE provision	N/A	9	8

Source: NESS03 and NESS05

115. Broadly, this data shows the financial services sector:

- One, as a 'high training' sector with virtually every indicator showing significant advantage over the all-economy average.
- Two, as a sector which is *increasing* its advantage with gains between 2003 and 2005 on most indicators.

116. However, on one particular indicator – use of FE Colleges – it can be seen that the sector is likely to use FE provision at a level which is only half the all-economy average. This finding confirms the point made in our discussion of the national supply picture where it was noted that the sector tends *not* to be heavily engaged with public provision for learning but to use internal expertise. It is noted, for example, that major local institutions in Bournemouth and Poole, such as JP Morgan and Barclays, have strong internal training capacity. It is also notable that 56% of sector establishments in the South West used a *private* provider compared with an all-sectors average of 50%. And also bearing on this point, NESS 2005 data shows that 86% of firms in the sector which trained did *not* use NVQs as the target qualification compared with an all-sectors average of 74%.

Summary: supply of labour and skills

117. A review of labour and skills supply into the financial services sector at *national* level reveals a number of key points:

- The sector has a strengthening qualifications base. The employment of graduates and those at Level 3 is above the average for the economy as a whole. The proportion of sector employees with Level 1 or no qualifications (at 11%) is half that of the economy.
- The proportion of Level 4+ employment in the sector has grown from 20% in 1994 to 33% now.
- There is a very high volume of specialist qualifications available in the sector at certificate and diploma level. There are on-going attempts to rationalise these.
- To accredit people to these standards, as well as to keep lower level staff up-to-speed with changing industry techniques and technologies, there is a high volume of training in the sector.
- Most of this training is delivered by private providers or in-house. The sector has a history of relatively low engagement with public provision (though this may be changing, particularly at HE level). Apprenticeship is little used in the sector and NVQs, though available, are not well-regarded.

118. At local level:

- The local labour market remains quite tight. Unemployment is low (in historic terms) and strong local house prices may make it difficult to move into the area from regions other than London and some parts of the South East. This might indicate that the major financial services institutions in the Bournemouth and Poole conurbation may find labour supply, particularly at intermediate and lower levels, quite constrained. However, it is suggested that relatively high wages in the sector mitigate the tightness of the local labour market - essentially the sector is able to compete well on this basis against most other sectors employing large numbers of routine staff such as the tourism and retail industries; and, since the main source of migration into employment in the sector locally is from the high-priced housing market of London, high local house prices are not such a constraint for this sector as they may be for some others.
- Only 117 financial services Apprenticeships in the region came to an end in 2004/05 and 88 in 2005/06 according to the latest available figures. For these Apprentices, however, achievement rates were reasonably high (compared with some other Apprenticeship areas in service sectors) and improving.
- The local distribution of Apprenticeships does not match the local distribution of employment. There are few in Bournemouth and Poole where sector employment is concentrated.
- There are many more people pursuing learning aims related to the sector in local FE provision, around 2,200 in 2004/05. Success rates, at around 70%-75%, are reasonable.

- It is noticeable, however, that the distribution of FE participation, despite significant numbers of students at Bournemouth and Poole College, is balanced across the area. There are more students undertaking 'financial' subjects in Somerset than in Bournemouth, Poole and Dorset combined. This may suggest that participation is individually or small-business motivated rather than being driven by the major employers in Bournemouth and Poole. It seems probable that those undertaking NVQs and certificates in accounting, certificates in book-keeping, and qualifications in 'text processing', disperse widely into general business and financial functions across the BDPS area rather than constituting a specific resource to meet the needs of the Bournemouth and Poole financial services cluster.
- It is hard to judge the quality of local FE provision for financial services since inspection reports are somewhat dated and not clearly focussed on financial services (but rather on business and management more widely). However, what we do know is that in their most recent (but not recent) inspections, the relevant departments of three out of four Colleges inspected were no better than satisfactory.
- Three local initiatives to improve skills in the sector are noted. One is an initiative which has established a 'Finance Academy' at Poole High School to deliver relevant work experience and a sector-focussed BTEC qualification to bright youngsters. The initiative has involved support from some of the major sector institutions in Bournemouth and Poole. The second initiative involved the delivery of literacy and numeracy skills training to one of the large financial services companies in Bournemouth and Poole using the LSC's Skills for Life experience and budget. The third is the funding of a short financial services pre-employment course at Bournemouth and Poole College.
- Survey data suggests that the sector, as nationally, is a 'high training' sector. It has a strong infrastructure for training, 9 out of 10 companies train (compared with two-thirds in the local economy as a whole), and it spends twice the local average per establishment on staff training.
- However, as nationally, the sector is only half as likely to supply training via *FE provision* as average for other employers but rather more likely to use *private providers*.
- Overall, the sector appears as one which largely looks after its own skills supply – using sector-specific qualifications offered by profession institutes in the sector, training in-house or privately, and suspicious of Apprenticeship and NVQs.

6. The balance between demand and supply

119. The key question in respect of the demand and supply of skills is, basically, does skills supply currently meet the needs of the industry, and will it do so in future.
120. One method of assessing this would be to consider the demand for skills and set it against an account of supply. However, any attempt to match these two analyses against each other in a statistical sense is not possible. The problem has several angles:
- Firstly, data on demand is unreliable. Forecasting models cannot predict the future with any great precision; and the smaller the area to which they are applied, the less precise they become.
 - Secondly, data on supply is hard to interpret. It is not known, for example, which skills WBL trainees are training in, nor what level of employability they reach, particularly amongst the significant proportion of trainees who do not complete the full framework. FE data is also imprecise in that it deals with 'learning aims' rather than numbers of individuals (some of whom may pursue more than one aim) and again it is not clear how many trainees proceed to full qualification and are delivered into the workforce.
 - Thirdly, we have noted that a significant proportion of employers in the sector train their staff (around 88% in the most recent estimate). Around 1 in 6 of these use FE. What the remainder do is largely unknown. Some of the training may not be productivity-related at all. Health and Safety training, for example, and induction training (15% of all training in the sector; NESS05), though essential, don't necessarily improve the overall level of skills employed in financial services activity as such. But amongst the remainder must be a significant amount of training which formally or informally improves worker performance. But the scale or nature of that improvement and its contribution to the overall skills equilibrium in the sector is not measurable.
 - Fourthly, whilst people train towards and achieve qualifications, the quality of that training and the worth of the qualification is variable. Simply, we do not know how much of the training which WBL/FE delivers is regarded as adequate by the industry but it seems unlikely that all of it is.
121. Generally, therefore, *inferences* can be drawn from an examination of demand and supply. Some of these have been set out in previous chapters and will be extended in the final chapter of this report. However, a formal statistical account of the skills equilibrium, one which says, for example, that the area will need x people with formal financial services skills per year and is generating y people with these skills per year, cannot reliably or meaningfully be computed.
122. In order to comment on the skills equilibrium, therefore, we need to rely on evidence of *disequilibrium* – that is, of skills shortage and skills gaps. The following table uses data from National Employer Skills Surveys to generate some broad indicators of such difficulties. South West regional data is used as a proxy for the BDPS area (to avoid the problem of small sample bases):

Table 16: Indicators of labour and skills deficiencies, South West Region, 2005; percentages of financial services establishments

	2005		2003
	All sectors	Financial services	Financial services
Have at least one vacancy	17	22	22
Have at least one vacancy which is hard-to-fill	7	8	*
Have a skill shortage vacancy	4	6	*
Have a skills gap	15	17	34

* Bases too small for reliability
Source: NESS05

123. What this data shows is that the sector faces levels of recruitment difficulty and, consequently, has skills gaps in the workforce, which are a little more frequent than in the economy as a whole. However, the proportion of employers who are observed to have a skills gap reduced markedly between 2003 and 2005.
124. The occupational distributions of vacancies, skill shortage vacancies, and skills gaps are also clearly different from the average for the economy as a whole:

Table 17: Indicators of skills difficulties; percentages of all difficulties associated with different occupational groups, South West Region, 2005

	% of vacancies		% of skill shortage vacancies		% of staff not fully proficient	
	All sectors	Financial Services	All sectors	Financial Services	All sectors	Financial Services
Managerial	5	3	4	0	11	11
Professional	7	5	9	15	8	2
Technical	16	18	13	16	3	6
Clerical	12	36	8	69	11	39
Skilled trades	10	0	26	0	9	0
Personal service staff	9	0	11	0	6	0
Sales/customer service staff	16	37	9	0	25	41
Operatives	11	0	13	0	7	1
Elementary staff	15	0	7	0	21	0
	100	100	100	100	100	100

Source: NESS05

125. This data shows that most *vacancies* are for admin./clerical and sales/customer service staff, with a significant level of vacancy for technical staff. However, difficulty recruiting for *skills* reasons are concentrated in admin./clerical grades (over two-thirds of skill shortage vacancies are located here) and, to a lesser degree, at professional and technical levels.
126. *Skills gaps* are again most evident amongst administrative, clerical, sales and customer service staff but some managerial skills gaps are also apparent.

Summary: the balance of demand and supply

127. This data shows that the financial services sector faces levels of recruitment difficulty and of skills gaps in the workforce which are a little above average (compared with the rest of the economy). Most of these difficulties are concerned with administrative, clerical, sales and customer service staff though there are some difficulties with the recruitment of technical (IT) staff and with the skills of managers. However, skills gaps are much less prevalent than they were in a comparable survey two years previously and it should be appreciated that *skill shortage* vacancies (at the time of the NESS survey in 2005) account for only 1 in 260 jobs in the sector.

7. Skills issues in the financial services sector

Financial services as a priority sector?

128. A first broad issue in respect of the sector concerns the extent of the LSC's commitment to financial services as a 'priority' sector in the Bournemouth, Dorset, and Poole area (note: This sector is not an LSC priority in Somerset).
129. On one hand, there is a clear rationale for significant commitment. It is one of the UK's most dynamic sectors and a major source of national income. It is a dynamic sector which is continually innovative in processes and products. In the Bournemouth and Poole conurbation, particularly, it makes a major contribution to wealth creation in the economy and, through significant local employment, to wealth distribution. Its value, in terms both of direct expenditure and wages and of indirect multipliers, is very significant. On those grounds the LSC may wish to support the sector from a simple economic development perspective – doing whatever it can to support the case for additional inward investment and to retain major existing investments.
130. On the other hand there are some reasons why the sector might be given a lower degree of prioritisation over some others.
131. The first of these is, simply, as above, the success and wealth creation capacity of the sector. As a somewhat simplistic indicator, Barclays' latest annual reported profit of £5.3 billion would fund about three-quarters of the LSC's total annual budget for Further Education across England. It might be argued that any support which the LSC gives to players of such size and profitability in the sector has a strong likelihood of being deadweight, public subsidy to training which the sector is well able to fund itself, or of being a luxury – training which the sector is willing to accept when it is free or subsidised but which it doesn't itself consider as essential to fund (or, clearly, it would do so).
132. This point is reinforced by the observation in our report that the sector is already a 'high training' sector, indeed the sector most likely to supply staff training outside some public sectors.
133. A further constraint on support to the sector may be its traditional reliance on internal industry standards and qualifications and on its emphasis on in-house and private training providers rather than public institutions and mechanisms. Its local use of FE is only half the average for the local economy as a whole and Apprenticeship and NVQs have made little headway in the sector. Local public institutions, specifically the LSC and FE providers, might need adjustments in the direction of flexibility and 'bespokeness' of provision which are difficult for them to deliver. A significant point may be that when the LSC offered to fund a liaison post between the sector and public agencies and institutions involved with learning, it was not able to identify a financial services company willing to host the prospective liaison officer.
134. The possibility of the sector *remaining* a relatively 'low engagement' one is raised by considering the nature of the sector in the BDPS area. Essentially, it has three main segments:
 - The branches of the major banks and building societies engaged in retail financial services across the area. Though individual establishments are small, as units of major corporate organisations they have access to the HQ HR development resources of these organisations.

- The major wholesale financial operations predominantly located in Bournemouth and Poole. The size of these operations ensures that they have the HR resources to manage bespoke learning for their organisations without much input from the external world.
 - The remainder of the sector is comprised of quite small organisations, SMEs in insurance or pension sales, or Independent Financial Advisors advising on and selling the products of the major institutions. Clearly, small organisations and self-employed individuals are likely to share the usual 'small firm/self-employed' predisposition not to engage in the kinds of training which the public sector tends to offer (weighted to lengthy, formally-accredited training) but to take part only in highly-focussed short training related to the actual products they sell and often supplied by the major companies they represent.
135. And, finally, we would note that the sector is a fast moving one – frequently changing ownership and organisation, responding to new regulations, introducing new technologies and products. Historically, public sector provision has not found much space in the sector because it has not been able to respond quickly or specifically enough to changing sector needs. A real question exists as to whether this is any more likely at the present time.
136. Thus, the first general issue is of the degree to which the LSC can realistically fulfil its stated intention to give priority to the skill needs of the financial services sector.
137. On the assumption that the LSC will, however, continue to regard financial services as a priority, what further skills issues arise in respect of the sector?

Replacement and labour turnover

138. The industry as a whole has some difficulty at the level of its clerical/customer service/sales staff – those working in routine data processing and call-centre operations. Survey data shows that vacancies, skill shortage vacancies and skills gaps are concentrated in this group. This problem is particularly significant in the large financial institutions in Bournemouth and Poole. Local discussions suggest that there is some 'churn' in the sector and that major organisations have fairly constant recruitment needs driven by the requirement to replace staff who leave.
139. This problem is largely driven by the routine but high-pressure jobs on offer and wage rate competition between different organisations in the sector.
140. Though it drives a continual need for induction training, it is not a 'skills issue' as such.
141. As in other sectors with similar problems, labour 'churn', whilst an issue for the industry, is largely driven by industry practices in the context of the local economy as a whole. It is not usually an area in which the LSC can usefully intervene.

Attracting senior staff

142. At more senior levels, there appear to be a number of issues with regard to recruitment. It has been suggested that there may be a perception in the main

London financial centres that relocation to Bournemouth and Poole represents a poor career move in distancing senior individuals from the much broader opportunity base of the City, though this may not be widespread. On the other hand employment in Bournemouth and Poole may offer lower house prices than the SE and London (though not compared with other parts of England) and other lifestyle advantages. To assess the way such factors balance out is not possible but, in any case, they are again not 'issues' with which the LSC can engage in any meaningful way.

Collaboration between firms in the sector

143. One way in which the LSC can, in principle, act to improve sector skills supply is by encouraging sector collaboration and by promoting joint initiatives.
144. Our understanding is that the major financial institutions in Bournemouth and Poole already have collective meetings at two levels – twice yearly at CEO/Director level (the Financial Services Sector Forum originally stimulated into being by Bournemouth Council's Economic Development staff) and more frequently at HR manager level. It may be useful for the LSC to seek to liaise with the latter group to investigate on an on-going basis whether and what scope exists for the LSC and its FE partners to support the sector more widely than is presently the case.
145. It is also our understanding, however, that SMEs in the sector – insurance, mortgage and pension broking companies – do not have any organised local forum. If the LSC seeks to engage with this segment of the industry (that above individual self-employed IFAs but below the branches and sub-divisions of the major corporates) then an initial step may be to seek to stimulate the formation of sub-regional associations of these businesses; though, as we have noted above, such businesses are not easily drawn into such engagements and progress, unless the LSC has some concrete offer to make, may be difficult.

The attraction of young people

146. As with several other sectors, the financial services sector has suggested that it has difficulty attracting enough young people of the right calibre into employment in the sector. This difficulty is probably lower in financial services than is the case, say, in care or engineering or retail.
147. Nevertheless, it is one area where the sector *has* engaged with public provision by taking practical steps to develop young people's interest and skills in the sector, most noticeably by supporting the 'Financial Academy' based at Poole High School. This is a relatively new venture, only around 3 months old at the time of this report, but if it should prove successful then it may represent a template for further development, both at Poole High School and in other schools which the LSC may seek to encourage and support.

Skills for Life

148. In similar vein, it is also noted that the LSC has successfully supported an assessment of workforce numeracy and literacy and subsequent skills training in one major financial institution in Bournemouth and Poole, using its Skills for Life funds to do so. This venture was prompted by the company's own observations of some limitations in basic skills of its staff, not just at the most junior levels.

149. It seems improbable that similar observations could not be made at other similar institutions. A practical step for the LSC may be for its Skills for Life team to meet with other major institutions at HR Director level to offer their assistance.

Apprenticeship

150. Apprenticeship, as we noted above, has made little headway in the sector in terms of numbers. The reasons why this is the case are not immediately apparent though it seems likely that, as in other service sectors where take-up is low, a basic difficulty is that the Apprenticeship concept has little history and can appear as a cumbersome and bureaucratic means of inducting young people into the workforce.
151. Despite this, the LSC may wish to promote Apprenticeship (with closer liaison with the major companies' HR Directors group and a hypothetical association between SMEs in the sector as possible vehicles).

Train to Gain

152. It was noted earlier that the financial services sector as a whole is quite highly qualified, with only around 1 in 10 workers not qualified to Level 2 or above. We also expressed reservations as to whether it would be legitimate to subsidise the training of major institutions in the sector. However, it may be that SMEs in the sector, which probably qualify as a 'hard to reach' group, comprise a suitable target area for Train to Gain funding. In as much as the financial services sector is given priority by the LSC, some future allocation of Train to Gain brokerage effort and subsidy to Level 2/3 training might be appropriate.

Further Education

153. Our report has revealed a significant volume of 'learning aims' in FE directed to financial subjects. However, we also noted:
- There was no evident bias in the location of 'financial' FE students towards Bournemouth and Poole.
 - Employment survey reveals that a relatively low proportion of sector employers use FE to train staff.
154. This may suggest that participation in study towards 'financial' subjects is driven more by individual choice and is not particularly driven by the needs of the financial services cluster in Bournemouth and Poole. Rather it seems that students of financial services subjects study with more or less equal frequency throughout the BDPS area and then disperse into a wide variety of businesses, not necessarily financial services sector ones, across Bournemouth, Dorset, Poole and Somerset. The question, perhaps, is whether there is scope for further development of the linkage between financial services-related provision in Bournemouth and Poole College and the needs of the major businesses in the area. However, as above, to be significant, that change would depend on the sector substantially losing its traditional reluctance to train using FE provision – a circumstance which, we have suggested, may not be readily forthcoming.

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